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GENERAL

New Global Military Technologies 'Aggravate' Arms Race

90ON0278A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 24, 16 Dec 89 pp 4-5

[Article by Fang Ning (2455 1337) and Gao Qiqian (7559 0796 0051): "Effect of Development of Modern Military Technology on International Strategic Situation"]

[Text] The international strategic situation is currently becoming relaxed. However, this detente is merely detente under military confrontation, and the danger of war has by no means been eliminated. Looking only at the aspect of the development of modern military technology, we shall discuss its effect on the international strategic situation.

First, the Development of Modern Military Technology Has Both Increased the Danger of War and Become a Factor Deterring War

For half a century, modern military technology has made giant strides. From the making of the atomic bomb to production of the hydrogen bomb and the third-generation nuclear weapon, the neutron bomb, the delivery method of nuclear weapons has achieved guidance, miniaturization, and conversion to solid fuel. In recent years, various nonnuclear strategic weapons in succession have also approached maturity; aircraft carriers, strategic bombers, military-use satellites, new chemical and biological weapons, strategic C3I [expansion unknown] systems, strategic alert systems, and the like have been successively put to use. These nuclear and nonnuclear strategic weapons systems seriously threaten the security of all of mankind.

However, under certain conditions, things may turn to the opposite. Nuclear and nonnuclear weapons produced by modern military technology may also, under certain conditions, become a means of deterring the outbreak of war. These conditions exist in the current nuclear balance between the two superpowers, the global trend toward multipolarity, and the increased strength of the forces deterring war. The nations with the greatest capability for launching a nuclear war at present are beginning to regard nuclear weapons as a powerful deterrent force, and are doing their utmost to prevent these weapons from becoming a means of bringing about the common ruin of themselves and their adversaries. In the wake of this change, these nations, in order to maintain their hegemony, will not relax their struggle for strategic dominance, but on the other hand, they will not lightly pass the threshold into what might lead to nuclear war. Beginning by developing military-use and military-civilian dual-use high technology, they will strive to achieve dominance in high technology and increase their overall national strength. This is the so-called policy of "seeking detente through strength." It is the basic meaning of the idea, repeatedly stressed since Bush assumed office, that we must "regard power as the

guarantee of peace." The principle of "reasonable sufficiency" repeatedly expounded by the Soviet Union is also based on this strategic thinking.

Thus, high-technology weapons are developing rapidly: accurate guided weapons are reaching maturity, and "launch-and-hit" weapons are appearing; electronic calculators are being widely used in military fields, and strategic and tactical automatic command systems are being put into use one after another. Weapons based on new concepts, including electronic, magnetic, optic, and sonic weapons, have emerged in an endless stream, and the power of nonnuclear weapons is approaching that of nuclear weapons. Using the opportunity afforded by the development of directional weapons, electronic devices have begun to make a transition from a means of communication to a means of killing and wounding, and are currently developing from electronization of weapons to weaponization of electronics. For just this reason, several armed conflicts and local wars during the 1980's have become testing grounds for new high-tech weapons. The sinking of a Sheffield-class destroyer in the Falkland Islands war, the defeat of MiG fighters in the Al Biqu air war, and the "surgical-style" surprise attacks in the U.S.-Lebanon conflict all show the power of high-tech weapons and their enormous effect on modern war. All of this shows that the development of modern military technology has, on the one hand, a definite role in deterring nuclear war, while on the other hand it can also provoke regional conflicts and local wars. One important reason for the large number of outbreaks of military conflicts and wars is that advanced nations take advantage of their "technological disparity" with developing countries in conducting their power politics.

Second, It Has Aggravated the Arms Race, and Has Also Stepped Up the Pace of Arms Control

After World War II, the two superpowers vied with one another in spending enormous amounts of funds in the field of military technology and launched a fierce competition to develop new weapons and equipment. The Strategic Defense Initiative (SDI) announced by the United States in 1983 is the start of a new round of the arms race; it has opened up a new battlefield for the United States and the Soviet Union to fight for antimissile dominance in space. For several years, the United States has repeatedly made major advances in directional weapons technology, kinetic-energy weapons technology, and target detection technology. The Soviet Union on the one hand firmly opposes the U.S. SDI plan, and on the other hand is developing its own strategic defense measures and countermeasures aimed at the SDI plan. It has not only reorganized its original "overshoe" antimissile system into a more advanced "two-level defense system," it has also made new advances in land- and air-based antimissile laser weapons, and it is reported that the Soviet Union's land-based antimissile laser weapons may be deployed around the year 2000.

One result of the U.S.-Soviet arms race is that it created a "balance of terror," and thereby deterred the use of nuclear weapons. A second result is that the economy has

borne a heavy burden, making both sides think about lightening their burdens through arms control.

Thus, the position of arms control has risen gradually, and in the past two years it has made spectacular progress, gradually becoming an important element of U.S.-Soviet military strategy. A global trend toward arms control is now developing, and it has become possible that the United States and the Soviet Union may reach an agreement on reducing strategic nuclear weapons. This will objectively further the trend of the international strategic situation toward detente and stability.

The situation in the past several decades has shown that into whatever field military-use high technology develops, the arms race will also extend into that field, and at whatever level parity is achieved in weapons development, arms control will become a focus of bargaining at that level. Viewed from a certain angle, the development of modern military technology, through this transformation of weaponry, plays a direct role in the international strategic situation which cannot be ignored.

In addition, only after forming a relative balance of power in military technology can the U.S.-Soviet arms race follow the road of arms control; and arms control is often ineffective, concealing a new round of competition in high-tech weapons.

Moreover, in recent years the world has been in a key period in which the new technology revolution has matured. It has confronted arms with an upsurge of renovation and confronted traditional weapons with obsolescence, and a new generation of high-tech weapons is being born. Through arms control, the United States and the Soviet Union have greatly reduced obsolete equipment and used limited military expenditures to develop high-grade, precision, and advanced weaponry items, in order to carry on a new fight in the field of military-use high technology.

The arms race and arms control invariably develop alternately, mutually promote and restrain each other, and are mutually conditional. Even though various arms reduction talks have been in full swing in recent years, the arms race in which the United States and the Soviet Union are the main adversaries continues. The focus of the race is shifting from quantity to quality, to a new generation of equipment. Neither side is willing to relax with regard to those projects in which they are in the lead, or which play an important role in gaining technological dominance. The United States is currently in the lead in 14 new military-use technology projects; it particularly intends to capitalize on the SDI project in its continued struggle for dominance in the 21st century.

Third, It Has Promoted a Shift From Monopoly to Proliferation of Arms, and May Form a New Arms Monopoly, Thereby Influencing Changes in the International Situation

As stated above, the United States and the Soviet Union are relying on their monopolistic position with regard to key

military technology projects to dominate the world, and this will continue to be the case in the future. However, development of military technology is a result of development of science and technology, and development of science and technology has a global nature; after mankind's recognition of objective matters reaches a certain level, technological isolation and blockading is of no avail. Not only are there currently five nations that have already announced publicly that they have succeeded in developing nuclear weapons, several other nations in succession have gained a mastery of nuclear technology, and there are likely to be more nations in the future capable of manufacturing nuclear weapons. At the same time, we have a first inkling of the prospects for the development and spread of high technology. Japan's high technology and Western Europe's "Eureka" project both include military technology, and more and more nations possess high-tech conventional weapons, nuclear weapons, and their delivery vehicles. All of this shows that the spread of weapons technology is an irreversible trend.

The shift from monopoly to proliferation of military technology is an objective law of development. It plays an active role in preventing superpowers from monopolizing sophisticated weapons. However, the widespread proliferation of modern military technology has also brought new elements of instability. The present-day world is situated amid various interwoven contradictions between nations, regions, groups, nationalities, and classes, and the spread of weapons technology is likely to increase the possibility of various local conflicts and wars.

At the same time that the development of modern military technology constantly breaks the old weapons monopoly, new monopolies of high-tech weapons will constantly appear. In particular, the superpowers are vying for a dominant position in space weapons systems, and are striving to apply high technology to military aspects and regain a twofold monopoly on a new generation of nuclear and antinuclear weapons. At the time the old monopoly was broken, a large amount of nuclear weapons, sufficient to destroy mankind, had already been piled up on the earth; and vying for a new monopoly may bring about the militarization of all of space. This is undoubtedly a serious new threat to global peace and development.

UNITED STATES

Puerto Rican Group Accuses U.S. of Annexation Bid

*OW0103225090 Beijing XINHUA in English
1639 GMT 1 Mar 90*

[Text] Havana, March 1 (XINHUA)—The United States is trying to turn Puerto Rico into the 51st state of the union through a 1991 plebiscite, the secretary general of the island's Socialist Party said Wednesday.

Carlos Gallisa also told reporters here that the plebiscite—which was written, approved and decided by U.S. courts and officials—will [word indistinct] the votes of 20,000

Cuban counterrevolutionaries and nearly 50,000 U.S. citizens residing in Puerto Rico and other proannexation forces.

Puerto Rico is a little piece of Latin America which the United States wants to possess legally in order to escalate its intervention in the Latin American affairs, Gallisa maintains.

In exposing U.S. measures aimed at confusing world public opinion about Puerto Rico's predicament, Gallisa cited the establishment in 1952 of the so-called Commonwealth of Puerto Rico which did not change the

island's colonial status, but did restrict its right to fly Puerto Rico's flag alongside that of the United States.

In 1970 Puerto Rico's case was brought before the United Nations Decolonization Committee, and now that the international community is fully aware of its right to independence, the U.S. Government is aggressively pursuing its project to turn the island into the 51st state of the union, Gallisa said.

Gallisa also criticized a U.S. plan to set up a TV transmitter that would broadcast to Cuba, saying the move would constitute intervention in a sovereign nation.

Population Growth Leads Obstacles to National 'Survival'

900N0317A Beijing ZHONGGUO QINGNIAN BAO
in Chinese 5, 8, 12, 23 Dec 89

[Article by Liu Xuehong (0491 1331 4767): "Survival and Development of the People's Republic of China"; "interviews" with Hu Angang (5170 7254 6921) and Wang Yi (3769 3015) of the State of the Nation section of the China Science Institute]

[5 Dec 89 pp 1, 2]

[Text] Population: The Primary Inhibitor of Economic Development

Editorial Comment: What is the state of our nation? On what are our reforms and opening up based? On what are our four modernizations based? What crises are imminent? In the struggle to vitalize our people, what spiritual stance should the youth of our nation adopt? My dear young friends, have you thought about these questions seriously?

In his essay, "The Chinese Revolution and the Chinese Communist Party," Comrade Mao Zedong pointed out that a clear definition of the nature of Chinese society, that is, the state of the nation, is the fundamental basis for defining all revolutionary problems. The state of the nation is an objectively arrived at realistic evaluation of the overall stability of the nation. It pinpoints the most important motivating as well as inhibiting factors affecting economic and social development. They often determine the basic character of the nation's long-range development and its overall concept. In today's atmosphere of reform and opening up this will have special significance.

In China's historical progress of attaining socialist modernization, we are about to face some restrictive factors that cannot be ignored for long—population, natural resources, the environment, and so forth. The contradiction between population and resources gives rise to still other contradictions, making it a rather glaring problem. As the whole world watches the progress of its development and reform, China is about to encounter an unprecedented and grave challenge. How to win against the difficulties is the pressing mission for all of us. Starting today, this paper will carry a series of interviews at the State of the Nation section in order to help the reader, particularly those who are young, define the state of our nation, identify our tasks, and also to increase the sense of crisis as well as our consciousness of mission and responsibility. Together as one, we shall push forward unflinchingly in the struggle for modernization of the motherland!

"Two years ago, when we accepted the charge by the State Council's Agricultural Study Center to produce an 'Analysis of the State of the Nation,' we tried to produce a rather rosy picture of long-range development. But after we had done a comprehensive and long-term analysis of population, resources, environment, food, and

economic development, we realized, rather abruptly, that China's long-term development would face grave difficulties. They were far more severe than we could have imagined and more complex. To deal with and resolve these unprecedented contradictions would be more difficult and formidable than we could ever have visualized."

From the beginning, the talk with Hu Angang and Wang Yi had a taut sensation. With the solemnity of scientists and using political science methodology, they had spent two painstaking years compiling massive data in economic statistics, population census, resource studies, and monitoring the environment to arrive at a definitive conclusion on the basic state of the nation. The result was publication of a sober and stern report entitled *Survival and Development—Some Problems in China's Long-Range Development*.

The report holds that the progress of development and reform that has captured universal attention is about to face some unprecedented serious challenges. The four major roadblocks of population, resources, environment, and food are about to confront us and our descendants. Of the four major problems, population by far occupies the top of the list. Thus, it was natural that we focused on it first.

[Liu Xuehong] Compared to the rest of the world, is there anything unique about our growth?

[Hu Angang, Wang Yi] There are two. First, China's population growth has a history of great cyclical rises and drops. Each cycle runs several hundred years.

Second, whenever China's population growth experienced an extended period of stagnation, it created a "threshold" style of multiplying. The first such threshold was from the before the Qin dynasty of 10-20 million people which went up to 60 million by the time of the West Han dynasty. From there, it stayed at about 60 million until the end of the Ming. The second threshold was from the Qing dynasty with less than 100 million shooting up to 400 million by 1840. The third threshold began with the founding of the People's Republic in 1949 with 540 million to 1.1 billion by 1989, more than doubling the previous figure. We are just about at the midpoint of the third threshold and will probably not reach the peak until 2030, at which time we shall have at least 1.5 billion, and this with strict birth control. If we stay with the current birth rate without any cutback, 1994 will see us break 1.2 billion and we might shoot past 1.3 billion by 2000. The year 2030 will then see us go by 1.6 billion and 2 billion by 2100! This population multiplying threshold is unique in having a higher numerical base, faster rate of growth, and greater tendency to spread to complement the total population, the number of elderly people, and the working young.

[Liu Xuehong] From this then, strict population control seems to be a pressing task. What are the likely consequences of such a huge population?

[Hu Angang, Wang Yi] China has long been the most populous nation in the world. Its numbers have already exceeded the capacity of socioeconomic support and what natural resources can reasonably be expected to bear. Assuming there is full employment, an optimum estimate of our population would be about 800 million to be economically comfortable. We are now 200 to 300 million over that. Estimating natural resources, our reasonable maximum is about 950 million, and we are 150 million over that. With overpopulation already past the critical points of economic and resource supply capabilities, it has created massive pressure on our society and constitutes the greatest obstacle to the progress of modernization.

According to forecasts, if we use an estimate of annual economic growth of 6-7 percent of the gross national product, we ranked ninth in 1985; by 2000, we should surpass Italy, Canada, France, and England to take fifth place. By 2020, we could pass West Germany to take fourth place and get closer to the USSR. But, with such an excessively large population denominator, by 2000 and 2020, respectively, our average gross national product will be \$763 and \$1,724 (in 1980 dollars). In terms of economic development, this is about 63.3 percent to 85.6 percent of the level of those countries with moderate or low per capita income. If the economy continues to grow, we will pass the USSR in 2050 to become the world's third-ranking economic power, with a per capita GNP of about \$3,800, yet below the \$4,350 level of those same countries.

[Liu Xuehong] With the population growing faster and excessively, there will surely be a large aging population. How will this affect society?

[Hu Angang, Wang Yi] On one hand, China will have a population explosion and, on the other, it is as you just said, an increasingly older population. This is a developing malady for China's population in the 21st century. First of all, our elderly population base is so great it surely must rank first in the world in absolute numbers. In 1990, China's population over age 60 will shoot past the 100 million milestone; it will peak in 2040, breaking the 300 million mark to hit 320 million. This figure, in 2025, will be more than the total of the people age 60 and over in all the developing nations combined. Next, our rate of aging is greater than anywhere else. From now on, our age 60 and age 65 citizens are increasing at a rate 2.5 to 2.8 times faster than those other nations combined. Another phenomenon is that the faster our birthrate decreases, the faster the aging rate increases as there will simply be more older people alive, so that there is an increasingly greater disconnect in the age structure. Thus, we fall into the dilemma of population control versus preventing further growth in the aging rate.

The existence of large numbers of older people increases all areas of social burden. When the aging process first hit the developing nations, their gross national product had been near or more than \$10,000. Even so, they felt the excessive weight of welfare payments to the elderly.

Yet our nation is entering a period of aging society when revenues are low, but our support of the elderly is higher than the average international level. To accumulate hundreds of millions for elderly welfare, to provide for livelihood of the elderly will be the difficult problems of the future.

Aside from the elderly population reaching a peak, we are also about to face a peak in the working-age population. This contradiction manifests itself in the farming villages. In 1952, each person engaged in farming planted an area of about 12.24 mu. According to the agricultural productivity level of the time, it was enough to maintain the "one man's living supported by one man's work" requirement. By 1985, the average land worked by each person was 6.91 mu, thus becoming "one man's living supported by two men's work," contributing to a change from agricultural to other types of work. But the excessively quick pace of population growth largely nullified any gains. The shifts could not keep pace with the entry of new farm labor. According to our estimates, by the end of this century and the start of the next, after accounting for shifts in people engaged in township enterprises and what is needed for farming, there will be a surplus of 300 to 350 million in the peasant population. This is the economic background of some of the recent moving of the surplus population from village to city. How to resolve this matter of surplus farm labor will be one major future problem in reform and development of the farming community.

[Liu Xuehong] According to research results, not only are we overpopulated, but we have an excessive proportion of illiterate and semiliterate people. Can you analyze the effects of this situation upon the modernization progress?

[Hu Angang, Wang Yi] You are indeed stating a fact. Because we are overpopulated, our education is deteriorating. In the peasant community, illiterate and semiliterate people now number about 219 million, or one-fourth of the total worldwide, and constitutes one-third of our total farm population above age 12. Our national average is 4.8 years of education. We have only four college students per 10,000. In the cities, due to the impact of "left-leaning" thought guidance, human assets underwent two major damages and interruptions. Once was toward the end of the 1950's and into the early 1960's. School enrollment dropped from 109.63 million in 1960 to 78.4 million in 1962, including a drop from 2.22 million to 540,000 students in professional fields. The other time was during the turbulent period of the Cultural Revolution, when about 700,000 to 800,000 people could not receive needed higher education, and several million intellectuals could not work or do research. It should be noted that there now are symptoms of a third disruption of human assets in the making. Once again, there is a tendency to lean toward the notion that "book learning is useless." Except now, the mood is going from "the more knowledge the more reactionary" to "the more knowledge the less value." Thus, instead of helping to conserve and utilize China's human resources,

it loses one of the most important motivating and carrier forces of social modernization—the possibility of intellectual support for reform and for developing and stabilizing social development. Not only will the low quality of the population not contribute to the needs of economic development, but in the urgency of international competition and modernization progress, it will be a heavy burden.

Finally, Hu Angang and Wang Yi concluded with, “Summing up the above population analysis, we can form the following conclusions: After China began the process of industrialization in the 1950’s, it concurrently entered an extraordinarily high threshold era of the largest base figure, high expansion, and fast rate of population increase. We are now at the midpoint of the threshold. Contradictions between population size, quality, and employment are erupting. If we continue to be passive on this question, China in the 2020’s to the 2040’s period will reach the three peaks of population growth as yet historically unseen. Even if we institute strict controls from now on and adhere to a new total birthrate, the highest peak would still be 1.5 billion. If we follow the current trend, then the combination of increase in population, labor force, and the aging would not only make it difficult to modernize, but would seriously menace the basic survival conditions of the Chinese people.

We feel that the final 10 years of this century constitute the last chance to control the future scope of China’s population. Therefore, there is enormous significance in making strict population control a matter of basic national policy for the sake of the very survival and development of our people. Looking at the basic state of the nation from the standpoint of overpopulation, scarcity of resources, and weak economic and technological education, we must, for a long time, firmly carry out the “promote a single birth, restrict a second birth, prohibit a third” child-bearing policy. Particularly in the farming sector, we must improve the survival conditions, promote development opportunity and challenge notions of feudalistic backwardness. On the other hand, we must adopt many restrictive measures. At the same time, we must elevate the quality of the population, realign the population structure, and establish a system to protect society. Only through long-term, resolute hard work can we control population effectively and turn a liability into an asset.”

[8 Dec 89 p 1]

[Text] Food: We Must Face the Stern Challenge

“There is an old saying, ‘the people consider food to be Heaven.’ However, because of overpopulation, our capability to produce food is closing in on the highest point of our productivity curve. Our demand far exceeds supply. This will be the pattern for our food market for the next 30 to 40 years. We can say without fear of contradiction that China will be hard-pressed by food shortages for a long time!”

[Liu Xuehong] Can you tell me in detail, what are the historical and current circumstances of China’s food production?

[Hu Angang, Wang Yi] Certainly. After researching, we learned that China’s food production increase had gone from a two-legged trek to one-legged. How has China been feeding more than 20 percent of the world’s population on 7 percent of its farmable land? After studying China’s food production, Professor Parkins of Harvard University’s economics department concluded that, from the year 1400 to the mid-20th century, the main route of China’s food production increase has been via expanding the farming acreage and raising the per unit area yield. But since the middle of this century it switched to raising the per unit area yield alone, which resulted in negative results from decreasing farmable acreage. From now on, not only is it unlikely that the workable land will increase, but, following the development of industrialization and urbanization, available land will decrease even more, making it more and more difficult to produce food.

After this, Hu Angang and Wang Yi gave me a series of figures to illustrate the question: In 1978-87, China’s farm land decreased by 52.51 million mu. A drop in the multiple crop index cost 77.2 million mu in crop acreage. 1988 saw a decrease in farm acreage of 21.7 million mu, equivalent to the combined total farmland of the four provinces or municipalities of Qinghai, Tibet, Shanghai, and Tianjin, yet the net population increase was 15 million.

[Hu Angang, Wang Yi] In 1984, our food production reached a historical high of an average 792 jin per person, but this was still below subsistence level with year-round farming. Irrespective of the class of per capita income, the minimum should be about 2,000 jin. To solve China’s food problem, food production increases from now on must rely heavily on raising the per unit area yield, but our per mu production yield already tops the world level. To keep production at least at the 700-800 jin per person level, the per unit yield must reach at least two high thresholds by the year 2000; that is, to hit 500 jin per mu and then 600 jin (the 1984 rate was 482 mu). It will be very difficult to cross those two thresholds without the inducement and application of new production essentials.

[Liu Xuehong] Aside from population growth and drops in the farmable acreage, are there other pressures?

[Hu Angang, Wang Yi] Yes indeed. Judging from experiences outside China, after passing the subsistence level and following continued increases in per capita income, there will be an unceasing demand for more secondary farm products. American economist Muller feels that it is a given that a country with major population expansion will demand farm products to the maximum when it progresses from low per capita income to middle level. Based on estimates of consumer demand functions, because our per capita income is low, our demand for

various foods tends to be highly elastic. By the year 2000, our average food consumption will be 692 jin. Our consumption of pork will go from 28 jin in 1985 to 45 jin. Our consumption of poultry and vegetable oil will also expand. By then, the average overall demand for food per person will reach about 1,000 jin. The entire society will require about 1,357.5 billion jin.

[Liu Xuehong] Then what is the potential for increasing our foods?

[Hu Angang, Wang Yi] There are many factors for food increase. From the viewpoint of economics, the general roads are: increasing farm acreage, increasing acreage that can be irrigated, soil improvement, greater use of fertilizer, carrying out collective and broad-scoped management, continuing mechanization, recruiting more peasant labor, intensive cultivation, growing superior seedlings, employing advanced farming techniques, and so on. But what is reality now and in the future? As we have just discussed, farm acreage is decreasing, there will be limits to increasing it. Expanding irrigation has always been an important factor in our country's food production increase, but according to estimates by the authorities concerned, during 1979-87, not only was there no increase, but we lost 9 million mu. A number of motor-pumped wells were abandoned because of lowered water tables and drying up of water sources. Reservoirs that had fallen into disrepair could not perform normal services. Food and farming have met a serious challenge from lack of water. More use of fertilizer is important, but it has its limits. Ecological principles show that, when one limiting factor's critical point has been reached, other factors are affected adversely. Even sufficient and inexpensive fertilizers of superior quality will not only fail to enhance, but may retard production when there is a lack of water. There is no optimism concerning the other factors either.

[Liu Xuehong] From this, it is not going to be easy to increase food production.

[Hu Angang, Wang Yi] That is a fact. From 1985-90, our country's food production has sunk into a stagnant or low growth rate. It will be difficult to reach the first 1990 objective—a threshold of 900 billion jin. Under optimum climate conditions, we see reaching 863 billion jin. But if there is a famine, only 835 billion. If we do not get out of the stagnant state, then it will be extremely difficult to reach the second target threshold of 1 trillion jin.

We predict that, although we have basically resolved the subsistence problem, we will not pass the 1984 level in the last years of this century nor the first of the next. We can only hope to maintain a diet primarily of vegetables, and ask the people of this nation to stay at the current levels of agricultural product demand. Aside from this, we are worried about the possibility that, in the first 20 years of the next century, China's population will reach or break 1.5 billion. It will be China's major difficult problem to resolve the question of how to provide for the

basic survival of China's people in food supply when there is less than a mu to feed each person.

Therefore, from now on, we must absolutely emphasize the need for urgency in China's long-range food situation. Food production levels and costs depend ever more upon natural conditions. From man's viewpoint, it becomes imperative that we all work harder to establish some stability. At the same time, we perceive that there is still hope and potential in the natural and human resources that can support our country's long-range agricultural development. But we must provide the circumstances that will move potential to actuality. Most important are capital and technical investments. Two-thirds of the farmable land is in the low productivity category. We have only to throw more effort into it, improve soil and water management, and provide stricter administration, and the possibility of increase will be high. From a technical standpoint, there has been only a 30-40 percent change due to technological transformation, a rather low rate. In the final summation, there is still a bright future for production increase before us if we push the use of new techniques as we continue concurrently to employ traditional ones. Additionally, even as we need to restrain consumption, we must promote Chinese meals, concur in increasing consumption of bean and fish products, raise the level of protein intake. While fully using limited land, we must take advantage of our unique abundance of labor, hilly areas and ample burial grounds. There are more than 7 billion mu of as yet undeveloped lands—low hills, burial sites, grassy slopes and hillocks, tidelands, and fresh water acreage to develop agriculture, forestry, fruits, livestock, fishing, etc. Following improved economic and technical conditions, these areas become precious animal protein and timber, oil, and food resources for posterity, the foundation for expanding our survival room.

[12 Dec 89 p 1]

[Text] Resources: No Time To Lose in Easing the Pressure

[Hu Angang, Wang Yi] Mentioning our country's resources immediately evokes the impression of a broad and bountiful land. But this is erroneous. To be sure, looking at the sum total, we rank among the leaders in the world, but when one looks at it from the standpoint of ownership, we are below the world's average. One pot elsewhere feeds two, while ours must provide for over 10.

According to statistical data, in 1986, our people's per capita share of farmland was about an average of 32.7 percent of the global level, our average share of forestry was 31.2 percent, average per capita accumulation of timber was 15.5 percent, share of grassland 33.1 percent, and one-third of the world average in groundwater runoff. So one can see that our per capita sharing in all resource categories is less than one-third of the world average. This clearly shows that our people have less

living space than everyone else in the world, our life is harder, and, as a result, we must work harder than everyone else. If we are to make a place for ourselves in this world, we must go all out to be strong and struggle through hardship and difficulties. China is in no position to be a heavy consumer.

Immediately after, they used statistics to explain their views:

[Hu Angang, Wang Yi] By the end of this century, average per capita farmland will drop from 2 mu to 1.46. The first resource problem then is the lack of land. Second is water resources. Some of our local regions and a number of municipalities have already entered the initial stage of water crisis. By the end of the century, the crisis will be national. Concurrently, it is a world problem.

Our general assessment of the contradiction between population and resources is this: Population grows, available land shrinks, there is not enough water. This is the basic contradiction. Also, as China enters upon a high-speed phase of economic growth, the demands on resources and consumption will increase commensurately, thereby sharpening the contradiction between population and resources and between resources and development.

[Liu Xuehong] Will good-quality resources compensate somewhat for inadequate quantity?

[Hu Angang, Wang Yi] It will make up for some of it, but the quality of our resources is also less than desirable. There are mixed results matching resources with requirements. Take rainfall and sunlight. To a great extent, they coincide with each other in the same season. They enhance farming and many other businesses. We have plenty of sunlight, but water distribution is uneven and has wide variation so there is considerable mismatching of water with land needing it. For example, the region south of the Chang Jiang enjoys over 82 percent of the total available water resources of the nation, but has only 36 percent of the tillable land—too much water and not enough land. North of the Chang Jiang is 64 percent of the usable land, but less than 18 percent of available water—land rich and water poor. Some day in the future, the potentially promising area for increased food production such as the Huang He, Huai He, and Hai He areas that make up 41.8 percent of the total farmable land of the country, but the water supply stands at about 5.7 percent. Add to it the fact that our nation is one with many mountains—65 percent of our territory is hilly—and high plateaus, burial grounds, and so on, and they constitute a major obstacle to expanding land use. The well-known phenomenon of large-scale fenced-off land parcels is the result of the disharmony between man and land; with so many mountains, lack of communications, and limited economic technology, it is difficult to develop many resources and it costs more. It will be hard to come up with superior quality products in the short run. Furthermore, one-third of our territory consists of

hard-to-utilize desert land such as the Gobi, frozen streams, rocky hills, and frigid wasteland. Also, due to long-time overuse, our land quality is declining, that of grassland is not high either. The rate of reforestation is also low, and steadily getting lower or even regressing.

Our resource distribution is uneven from the viewpoint of what it can bear, leading to much discrepancy between what the land can produce and what resources can provide. From the standpoint of land support of the population, our country may be put in three categories: One is population overload—areas such as Beijing, Tianjin, Shanghai, and Liaoning, with their combined population nearing 300 million. Two is essentially a matchable population of 340 million. The last is where available land exceeds demand—about 440 million people. Xinjiang to the west offers the greatest migration potential, but it can support only about 30 million people. No more than 5-6 million people are movable, but our national minimum rate of planned births is over 6 million per year. Thus, instead of moving people, it would be more advisable to restrict births.

Hu Angang's and Wang Yi's last comments on the subject: "Our country has long encountered a situation of heavy demands by the population upon resources, yet a number of regions continue to exploit excessively the overdeveloped resources and continue to use and waste the resources that should be shared with our descendants to enjoy. This is a serious threat to the material foundations of our national survival and development. Confronting such a continuously aggravated contradiction between population and resources, we must swiftly establish an equitable system for evaluating our resources, one that will regulate and operate reasonable development and utilization plans, and which will fully embody what is within our economic and social development plan. We cannot geometrically expand our living space, but we can certainly redirect and better use what we have. First of all is the cherishing and protection of the limited resources already developed, stabilizing production levels, particularly stopping or slowing down the deterioration of tillable land, supporting as before major mobilizations and massing of all the forces in society and capabilities to revitalize water conservation, work on hills and slopes, repair and build roads, plant trees, and so forth, integrate the maximum use of all technical skills, and increase the ability of land to resist soil erosion. Next is to develop a "conservation model" complemented by technical studies, adopt an agricultural system of water and energy conservation, and raise integrated utilization of resources; then, finally, fully use foreign and domestic markets, foreign and domestic resources to guarantee self-sufficiency in food, energy sources, and lumber and fight to import what we urgently need and lack in resource assets in order to ease the pressure on our domestic resources. We need to state clearly that, without throwing ourselves into it with vigor, and without the mechanism and conditions to change potential into actuality, then the resource potential remains that and nothing more."

[23 Dec 89 p 1]

[Text] Reform and Opening Up: Where China's Hope for the Future Lies

"Every era has had unfortunate crises and burdens. Every era also nurtures rare opportunities and hopes. Every era encounters difficult reforms and development." These words are contained in the first page of the *Report on the National State* produced by the China Science Institute's State of the Nation section. With a sense of respect for historical responsibility, they reported to the people on the imminent crises facing China:

[Hu Angang, Wang Yi] We discovered that, due to missed opportunities in history, China's modernization now may only have a few decades left to develop. We feel that the nation and the people must know the truth. Because history is hindsight for us, the greatest danger is that we face various dangers without a sense of danger. Our nation and our people face imminently a number of challenges. We face the population problem, the maladies of an ever aging people and of population inflation, polluted environment, and ecological destruction; we have them all. In the next century, our population total will reach a historical peak, our agricultural and per capita resources will reach a historical low point. What we are pursuing is also unprecedented: Solving basic subsistence needs; next, reaching moderate well-being; finally, hitting ample affluence. This requires crossing several thresholds.

Next, history bequeaths us our final chance, room for the Chinese people's future survival and development is little, time is short and passing, basic conditions are harsh. After the year 2020, it will be the most critical time for our entire national development. We can see from this why our nation must be stable and united. If we get into turmoil again, once in seven or eight years, and again seven or eight years after that, there will be no chance or hope left. China no longer has the energy to pay the price, no longer can afford to pay tuition to learn lessons. The development of history will not permit us to fumble badly anymore.

[Liu Xuehong] You just stated that from now until 2020 is the critical period for China's economic development. What conditions must be met for smooth passage?

[Hu Angang, Wang Yi] Of course, there are conditions, and they are rather harsh. We came up with six assumptions: 1) Stay the course and continue to implement the policies of reform and opening up since the 3d Plenary Session of the 11th CPC of the Central Committee. This is a fundamental condition. Without reform and opening up, we cannot eliminate the various crises and abuses left by history nor take advantage of various resources and forces to solve new problems that will inevitably show themselves in the development process. Reform and opening up are essential conditions to moderate or remove crises. 2) We must not commit a major strategic folly such as the Great Leap Forward, and precipitate

turbulent economic waves. 3) We must not repeat the political turmoil and social upheaval of the Cultural Revolution. So as not to lose our last chance, we must preserve a stable society and our unity. 4) We must regulate and control population growth effectively, ensuring that we do not go over 1.5 billion. 5) Prevent or avert general natural disasters. 6) Finally, no large-scale foreign aggression, nor can we be involved in the military conflicts of other nations. If we can make all these assumptions real, then China can, in the 1980 to 2020 timeframe, enter and maintain an accelerated growth phase.

Because our country has economically lagged far behind the developed nations, since the advent of reforms and opening up the masses have generally created a "consumption leader" consciousness and were very easily afflicted with "economic impetuosity," impatiently waiting to ring in the year 2020 so that we will have become modernized.

This is unrealistic thinking. After reform and opening up, hemmed in between the pressure of external circumstances and the haste to transform our state of poverty and backwardness, we often very easily become impatient about economic development, getting feverish in the head. This is often manifested in three overestimates: overestimating the state of economic development, overestimating the ability to resolve difficulties and crises, and over-aspiration to goals and demands expected from economic development. Expectation of speedy results is our common ailment. History tells us that modernization is a gradual process. It took the United States 200 years to go from a [per capita] gross national product value of \$250 to \$7,000. Japan did it faster, but still took 100 years to get from \$100 to \$3,000. We are a large agricultural country with a low per capita income and a lower starting point than the others, a heavier historical burden than they had, more people, and a much shakier base; thus our feverish expectation does not match up with the reality that is China. China's limiting factors dictate that our modernization will be a long process, can only be gradual and we must stay for the long stretch. Our tasks in such development are rather heavy and varied, needing several generations of unceasing hard struggle. Our modernization process will take at least a hundred years. This is a basis for formulating our long-range development model and strategy. We must follow a different road than other nations.

[Liu Xuehong] The different road to modernization that you speak of, specifically, what shape or model is it?

[Hu Angang, Wang Yi] Considering the roads taken by other nations, irrespective of what system or regime, all resorted to high resources consumption and the means of livelihood to support the modernization process, particularly in support of a rising economy. Almost all the developed nations initially experienced harshly the accumulation of capital. What we now face in terms of development opportunity, atmosphere, conditions, and

capability is different from that those nations encountered either initially or during the later stages of high-speed growth. The core of our road is a system of production that seeks to conserve resources and a system of livelihood that permits a suitable rate of consumption.

We have no recourse against the constraints of resources, but we can choose how to consume them. Thus, we promote a comparatively lower level of food consumption and a lower level of energy consumption. In the last years of this century and the first half of the next, on the whole, the average consumption level and quantity of major resources should generally stay where they are now or rise only slightly, and put through a revised structure that will elevate quality despite such constraints. Actually, in the process of a rising economy, stimulating spending versus promoting saving is a never-resolved controversy.

At this point, Hu Angang and Wang Yi pointed to Japan as an example: "Looking at the process of Japan's economic growth, one sees that the Japanese are a people given to high savings, a people with eyes on long-range benefits. A few years back, the Japanese average gross national product value had already passed that of the United States, but the Japanese quality of life is lower than the American living standard. The high rate of savings and accumulation of capital gives an excellent foundation for the Japanese people's long-term development. We encouraged the accumulation of wealth before 1978, but after that year fiercely increased spending demands. If we permit this trend to continue without restraint, we may lose any advantages in the future as a late starter and fall victim to all its pitfalls such as a sense of inferiority psychologically and in spending forecasts as a result of the effects demonstrated by spending, possibly sacrificing the ability and conditions for development in the long run. Therefore, we must be frank and let all the people know that, under the circumstances of our resources, not only can we not try to duplicate the spending rate of such developed countries as the United States, we cannot even match that of our countrymen in Taiwan, Hong Kong, and Macao. This is an involuntary kind of choice, and the only one. While it is not an ideal style, compared to the waste and destruction of natural support systems and resource bases vital to the survival and development of the generations after us, it is worthwhile and necessary."

[Liu Xuehong] With such a huge population and meager resources, in what lie the policies and hopes for modernization?

[Hu Angang, Wang Yi] The most important point is the development of education and of science and technology. Irrespective of whether it is a case of a developed or developing nation, the industrialization process has clearly proved that the retention of manpower assets—we mean society's productivity potential as exemplified by possession of state-of-the-art knowledge, technology and thinking—the rapid increase of such assets has become more and more vital to a nation's economic

development, and an essential condition for improving national survivability and one of the final bases for building national wealth. Education and technology are the moving forces behind China's economic development. The nation must first invest in education and in the peasant, greatly develop education in the villages, intellectualize the peasant population, and instill consciousness for producing modern goods. Then, the nation must want to invest in the intellectuals and in scientific and technological research, raise material benefits for intellectuals, and incessantly try to increase their numbers and their quality. Technological improvement is our route to break the standoff of contradiction between population and resources; it must occupy the foremost position in development of our society's productive power so that it can transform scarce resources into productivity.

When we talk about hopes for China's economic development, we feel the following to be beneficial factors: 1) We have a long and superior historical tradition of glorious accomplishments in the arts and sciences. The people and culture are as one, serving as a cohesive base for the nation encompassing great creativity, being able to help a backward nation's economy take off. 2) We are an independent sovereign socialist nation, a newly arisen political-economic power that overcame various foreign interventions and aggression, providing our country with necessary prerequisites for economic development. 3) We have established a central authority more cohesive and more prestigious than any other in our history, making it possible to mobilize our people and utilize all the organizations and energies of the various resources and other forces in our society to serve the selected aims of industrialization. 4) We have established rather comprehensive industrial and economic systems with capital up to near a trillion yuan. 5) At the end of the 1970's, we marched on the path of concentrated devotion to economic buildup, carried out reforms, and opening up. We are in the process of shaking off the shackles that restrain the development of productivity, are rebuilding a new and active economic system and social structure, and have gotten world recognition of our great accomplishments. This is where China's greatest hopes lie. 6) We have the "advantage" of being backward as a backward nation in selecting the style of economic development, strategy for it, policy for it, and lessons learned from international experiences, the use of technical and human talent and technological results.

Finally, Hu Angang and Wang Yi strongly emphasized, "We believe that the hope for the survival and development of the Chinese people rests on the fighting spirit and actual actions of the entire people. We are now in the midst of a period of the greatest change in Chinese history, yet at the same time a period of the greatest difficulty. Challenge and opportunity exist side by side, difficulties and opportunities cohabit. For these reasons, we must devote all our power to securing space for survival of the Chinese people and opportunity for their development. The state of our nation dictates that we

and those after us equip ourselves with a sense of crisis concerning our survival, a sense of national suffering, a sense of urgency for reform, and a sense of historical responsibility. The youths of our nation are a century-straddling generation. On their shoulders rests the historical responsibility for shaking off China's poverty and moving toward modernization. We must face reality and more effectively combine the massive power of current knowledge with the scientific attitude that has gained a foothold in the state of the nation to mix together our sense of backwardness, our sense of crisis, our self-confidence, and our never-ending feeling of self-strengthening nationalism, to create a cohesive and motivating force to be enthusiastic for our people and build a fighting spirit. History has decided that our generation is one of hardship! Of contribution! Of struggle!"

(Note: *Survival and Development (Report on the State of the Nation)* has been published as a book by the Science Publishing Agency.)

Yan Jiaqi Discusses Vision of Democratic Future

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[Article by Mo Li-jen (5459 0448 0086), CHENG MING New York correspondent: "Analysis of Communist China's Future Political Situation—Dialogue Between Yan Jiaqi and Yang Li-yu (2799 0500 1342)"]

[Text] A New Trend With the Communist World Being Represented by the Democratic Fronts

The Front for Democracy in China (FDC) held its second congress in Boston on 10 December 1989. During the period of the congress, noted political theorist and FDC Chairman Mr. Yan Jiaqi had an interesting discussion with Professor Yang Li-yu [2799 0500 1342] of Seton Hall University on the political situation of Mainland China around the time of the "4 June" incident, the situation on the mainland in the 1990's, and other issues. The following is a transcript of their discussion.

Mo Li-jen (Mo for short): Mr. Yan Jiaqi, Professor Yang Li-yu, I understand that this is not your first meeting. Since Mr. Yan will be attending and chairing the FDC meeting and can spare only two hours, I hope you will come straight to the point and discuss some of the issues that are of primary concern to the people.

Yan Jiaqi (Yan for short): After 4 June, a group of mainland intellectuals and students fled the country. In those early days, we were uncertain of the future and therefore felt rather depressed. We took refuge on a farm in France and had no way of getting in touch with the outside world. On 14 July, we began a three-day meeting participated in by Liu Binyan, Su Shaozhi, Ruan Ming, Hu Ping, and democratic fighters from West Germany,

Britain, the United States, Hong Kong, and other places. At this meeting, it was decided that the FDC would be established.

The basic program of the FDC is to uphold peace and nonviolence and end one-party rule in China. On 18 July, four days after the bicentenary of the French Revolution, we announced this piece of information to the outside world. The situation in Eastern Europe at that time was that the noncommunist regime in Poland had yet to appear, the Communist Party of Hungary had not yet changed its name, and the republic had not yet been established. East Germany had yet to see its people taking to the streets, holding strikes, and voting with their feet. The Berlin wall still stood erect. In other words, the FDC was founded before the emergence of these phenomena in Eastern Europe. The establishment of the FDC represents a new trend for Eastern Europe, the Soviet Union, China and countries under communist dictatorship. This trend can be summed up in two principles: Uphold peace and nonviolence and end one-party rule. These two principles sound simple enough, but it is a tide that goes against the communist movement in the whole world over the past 140 years.

Marx and Engels published the *Communist Manifesto* in 1848. Their theory can also be summed up in two principles: Reliance on violent revolution and establishment of the dictatorship of the poorest class—the proletariat. During the time of Lenin and Stalin, this dictatorship became one-party rule.

Today, the common aspiration of organizations for democracy in Eastern Europe and China is to launch a movement against the communist movement which has been going on across the world for 140 years. This de-communist movement has become an irresistible historical trend.

Yang Li-yu (Yang for short): You have just mentioned that the two principles are upholding peace and nonviolence and ending one-party rule. As things now stand, Eastern Europe is undergoing a peaceful change and some countries have abolished one-party rule, which is a good sign. However, there are some East European countries that are still under one-party rule.

On the China mainland, there was the possibility of dialogue when the student movement started. The student movement was later suppressed and is still being suppressed in an effort to stop the torrents of democracy. Today, the movement for democracy overseas is conducted in the open, but has gone underground on the mainland. How can they coordinate with your movement? Can peace and nonviolence compel the Chinese Communists to end their one-party rule?

Yan: That Eastern Europe can become what it is today is actually the result of development over the past decades. The people of East Germany were violently suppressed in 1953, and the people of Hungary and Poland met with the same fate in 1956 and 1971 respectively. The 1968 "Prague Spring" was also suppressed. They had paid a

high price in blood and with their lives. These East European countries have come to this point after they had been through ruthless suppression. China had also met with suppression on many occasions, such as the antirightist movement of 1957, the Cultural Revolution, the Tiananmen incident of 1976, and the recent exercise of massacre, arrest, and suppression in Beijing. They forebode that, like Eastern Europe, China will one day see fundamental changes, with the people uniting to wage a new round of protests against autocracy and one-party rule. Hence, the changes in Eastern Europe are by no means a simple evolution, but are the prize of violent suppression. The same will happen in China. China will take a change for the better fairly soon and will not have to wait for several decades.

The Communist Party Will Not Be Able To Survive If It Refuses To Change

Yang: Are there any signs indicating that what you have just said will materialize? Did your conviction come from your observation of the world trend, or from new developments on the mainland?

Yan: I believe that the cause of justice is in conformity with the world trend. Although the FDC is not a very big organization, it has considerable influence. We have been informed that practically all strata in Mainland China, the intelligentsia, student, and working classes included, know of the FDC. The FDC has become a banner, a banner upheld by Chinese students abroad, democratic fighters in exile, as well as Overseas Chinese. The FDC is the first organization that dares to challenge the one-party rule of the Communist Party. Although similar organizations on the mainland have not yet been able to get in touch with us, I understand they are distributing leaflets under the banner of the FDC and that this has aroused great panic within the Communist Party.

After 1949, the Chinese Communists identified "U.S. imperialism" and the "Kuomintang reactionaries" as their enemy. By the mid-1960's and 1970's, Mao Zedong regarded Soviet revisionism and people like Liu Shaoqi and Deng Xiaoping, whom he considered to be agents of Soviet revisionism in China, as his biggest threat. The situation has now changed. Taiwan and the United States have ceased to pose any threat. The biggest threat now comes from the founding and existence of the FDC. Although we constitute a small number, as far as the Chinese Communists are concerned, the threat of the FDC lies in the fact that it represents a direction. Today, the criticism, exposure, and defamation of the FDC unleashed by the Chinese Communists have reached an unprecedented scale. Contrary to their intention, these have given us great inspiration and enabled us to see that our future represents the future direction for China. In particular, we have been informed by various sources of the great support given by the people in China for the FDC. This has given us great confidence.

Yang: I agree that the FDC has produced a great impact abroad, but I fail to see any changes within the Communist Party and how these changes began. The communist parties in Eastern Europe have already come to realize that they can no longer survive without making some changes. This is particularly true with Czechoslovakia and East Germany. The communist parties of these two countries have realized that there is simply no room for their existence unless they start introducing reform and working with the people. Does your idea of change also cover the kind of awareness shown by communist parties in Eastern Europe?

Yan: On the mainland, the serious economic crisis has aroused the discontent of the people, and they are putting up resistance in various forms. The situation on the mainland is turning from bad to worse. As far as the Chinese Communists are concerned, change, and this includes steps taken to remove Li Peng from power, is a measure they must take for their own survival. This possibility not only exists, but will become a reality in a few years. This measure is necessary not only for the people, but for the survival of the Communist Party itself. It is a measure that must be taken by the Communist Party.

Power Struggle—The Mechanism of Changes Within the Communist Party

Yang: How long will it take for the Chinese Communists to achieve the kind of awareness shown by the communist parties of Eastern Europe?

Yan: What we want to see is not awareness, but the resignation of the whole government—including the renaming of the party and the country—as in the case of the communist parties of Eastern Europe. This kind of change is a necessary measure for saving the party. As a political party, the Communist Party must look inwardly for an excuse to make changes if it wants to survive.

Yang: Do you mean the Chinese Communists will follow the footsteps of Czechoslovakia and East Germany?

Yan: Well, the extent and form of change may be different, but they will definitely come about through some form of change. One thing is certain, and that is that people like Li Peng (and including Deng Xiaoping), whose hands are stained with the blood of the people, will fall out of power at some stage. There are people among the Chinese Communists who saw the Tiananmen incident as a "counterrevolutionary rebellion," but thought that the suppression was a bit overdone. What this means is that Li Peng and Yang Shangkun must be held responsible. With the blame placed squarely on Li and Yang, the implication is that even if the verdict of "counterrevolutionary incident" is maintained, when the responsibility and consequences of the incident are evaluated, divergent views will snowball and will not be held back. No one can stop the tide.

Yang: You said there is a force within the Communist Party. Is this force of the same view as the FDC?

Yan: I cannot say it shares our view. It is just that, in order to save itself, a mechanism will grow within the Communist Party. This is just like what the body does when it runs a fever. When the Communist Party finds it necessary to throw Li and Yang out of office, people will make new demands, and the question of whether the 1989 democracy movement was indeed a rebellion will be put on the agenda. In a few years' time, power will once again revert to those Chinese Communists who are now toppled, including those around Zhao Ziyang. Many of these people will pose an important obstacle when the FDC returns to China to put an end to one-party rule. They will launch a new round of struggle against us.

The Deposed Reformers Within the Communist Party Will Yield Power

Yang: Did you think those around Zhao Ziyang who are now toppled will pose obstacles to future reforms?

Yan: They will not agree to ending one-party rule. What they want is limited democracy and the promotion of the private economy on a limited scale.

Yang: What is your view of this kind of reform? Will you give your support?

Yan: I was on their side before 4 June. Many of us in exile actively supported this kind of reform. Our views have since changed. We think that such reforms cannot lead China to democracy. China should practice the multiparty system, for only multiparty competition can lead China to democracy.

Yang: How are you going to move from step one to step two?

Yan: In the process, it is necessary to call for the reappraisal of the 1989 democracy movement, not just the reversal of some of the false charges and trumped-up cases, but the affirmation of the movement as a whole. However, when the time comes, the questions of freedom of the press and freedom of assembly and association will inevitably be raised. For instance, will the banned SHIJIE JINGJI DAOBAO and XIN GUANCHANG [NEW OBSERVER] be able to resume publication? New newspapers and magazines and new organizations will definitely emerge. Beijing University will organize a new autonomous federation. Will this be called a reactionary organization? When the time comes, organizations like this will be "legitimate organizations" and will be allowed to exist and develop on the mainland.

Various organizations will be established on the China mainland in accordance with the provisions on association, but the FDC will continue to be considered a reactionary organization. It will take years of struggle before the FDC, the China Democratic League and similar new organizations formed on the mainland can establish their position and rights in China. As in the

case of Hungary, this kind of change is a tide that not even the Communist Party can withhold. This is called peaceful evolution.

Yan: How far can the deposed reformers go when they come into power again, given that they cannot end one-party rule and have to fight you? Since you cannot accept their advocacy and the reformers cannot accept your views, what kind of prospects can we expect?

Yan: The contradiction between us and these so-called reformers-in-power will occur after they have seized power once again. The objective of the FDC is to set up an opposition party. We are now working on this objective and formulating political and economic concepts that are different from those of the Communist Party. As long as something is needed by the Chinese society and supported by the people, the FDC will give its support. The FDC will gradually replace the Communist Party through competition. The FDC and the Communist Party do not see eye to eye on a range of issues, such as the Tibet question, the Taiwan question, the basic principles of economic reform in China, and the objectives of political reform. We are now planning China's future development from abroad and constantly supplementing and modifying this blueprint. The Chinese Communists said that the 1989 democracy movement is a premeditated, organized, and planned action. The fact is, we had no premeditation, no organization, and no plan when we started, but in our future actions we will be premeditated, organized, and well-planned. Our major task at present is to study future political and economic systems for China, promote the democratization process in China, and end one-party rule.

The Envisaged Federal System for China

Yang: How long do you believe it will take before Li Peng falls from power and the reformers rise to power and end one-party rule?

Yan: One cannot predict the precise time, but I believe it will involve a process. Those who are going to replace Li Peng and the like may be called liberals. They will be different from the Li Peng administration after taking over power. These people may also restrict the development of newly emerging forces and prevent their expansion.

Yang: Why do you think that the federal system is a suitable answer to the Hong Kong and Taiwan questions?

Yan: China's federal system will be different from that of countries like the United States and West Germany. The Chinese will rely on their own wisdom to create a federal system as yet unknown to the world.

A week ago, I met with the Dalai Lama in Paris and we had an exchange of views. I discussed with him the concept of the federal system and he talked about his peace proposals. Other than the federal system, there is no other way out for the Tibet question (including the

question of Taiwan) and the unification of China. The federal system we envisaged is a new structural form for the state.

Yang: Does your federal system have any new substance?

Yan: Yes, it does. We will gradually work out the details. The power of the federation will come from its members, some of which may be larger than a state in the United States and West Germany. I agree that Taiwan should be allowed to keep its army and have its own currency and legal system. The government of Tibet may take a different form and other regions should take the peculiarities of Tibet into consideration. As for the forms of government under the federal system, I think they will be basically quite similar except in the case of Tibet. Democracy does not mean "one country, two systems." Democracy is democracy. In actual implementation, it may be as different as the systems in Switzerland and in the United States. In other words, the political structure and form of government for Taiwan may differ from that for the central-south and northeastern regions, and will differ all the more from those for Tibet. In the United States, different states have more or less the same form of government. Tibet and Taiwan will not be local governments. Federal sovereignty will be shared by the mainland and Taiwan. All constituent units will be equal, and a special organ will be established within the federation to give Taiwan and Mainland China a kind of reciprocity.

Yang: From your perspective, Mainland China, Taiwan, and Hong Kong will be put on an equal footing. Will they form only one country?

Yan: They will form one country, but this country is neither the Republic of China nor the People's Republic of China. It will be Federal China or the Federal Republic of China. However, the relations of Tibet, Taiwan, and the northeastern and central-south regions to the federation will vary.

Yang: On the mainland, different provinces and municipalities have an equal status and there is no organization above them. How can the concept of one country be maintained?

Yan: There must be a new and common constitution. The federal parliament should be a two-house system, with a number of organs established within the parliament to give regions with vast differences some sort of reciprocity. I do not subscribe to the idea of "confederation." The federal system should go through a transitional stage. First, Mainland China must change its name. It is obvious that the prerequisite and consequences of ending one-party rule are worth our study. For instance, on the national flag of Communist China, the biggest yellow star represents the Communist Party. This is totally out of keeping with ending one-party rule. The national flag and name of Communist China will have to be changed after unification. Neither will the name Republic of China be acceptable to the people on

the China mainland. This is the hard fact, and a program acceptable to all must be found.

Yang: Under this federal system, will the country be a unified country? Will the federal government or parliament represent the central government? Will its relationship with members of the federation be the same as that between the central and local governments? What will the main power of this federal parliament, or federal body, or whatever it is called, be?

"One Country, Two Systems" Cannot Apply to the Political System

Yan: They will not be local governments. Neither Tibet nor Taiwan will be an "autonomous region." They will be members of the federation. I came up with an idea during my meeting with the Dalai Lama. Tibet should have the power to decide which powers to hand over to or withhold from the federal government. Because of its uniqueness, Tibet must be able to retain certain powers in order to ensure the happiness of the Tibetan people.

Yang: How will power over defense and diplomatic matters be arranged?

Yan: The power over defense and diplomatic matters is a complicated issue. Diplomatic power must be centralized, but Taiwan and Tibet should be able to retain considerable power over the handling of external affairs, and Taiwan should also be allowed to retain its own army. Excessive standardization will not bring the Chinese people happiness. The consensus between me and the Dalai Lama is whether we are talking about a federation or some other form of union, we should put the people's happiness as our supreme objective. All changes must be made on the basis of peace.

There are people in Tibet and Taiwan who agitated for "independence." In my opinion, rights reign supreme and, as long as one does not resort to force, anyone should have the right to put forward his or her political views. The people of a region also have the right to express their opinion on the future political status of their region. The principle laid down by the 1975 Helsinki Conference stipulating that national boundaries in Europe can be changed only on the basis of peace is of worldwide significance. This principle will form an important guideline for international relations in the 21st century. Under this guideline, I see no possibility for Taiwan and Tibet to assert independence. When Mainland China gradually achieves democracy, the demand for independence in Taiwan and Tibet will weaken.

Mo: Did the Dalai Lama agree with your view?

Yan: The Dalai Lama did not comment on the federal system. However, there were two points on which we both agreed, and these are, first, that the happiness of the people should be the supreme principle; and second, that issues should be resolved through peaceful means, and this also applies to the question of the future of Tibet.

The Federal System Has Not Yet Been Added to the FDC Program

Yang: I agree with your principle, but my view is different. First, from the angle of international law and political science, your suggestion does not point to the unification of China. Second, your model is too idealistic, and we must consider actual circumstances even with regard to the political system. Your idealistic world has no precedent in Chinese history. In a country like China, where the concept of a unified domain is predominant, there is no avoiding that members of the federation will become local governments.

Yan: The unification of China can be realized only through the federal system because, under this system, power over diplomatic and defense matters belongs to the unified federation, while the economy, law, and other aspects of its members can be distinctly different. If unification cannot bring happiness to the people, there is no point in having a unified country. I am all for the return of Hong Kong to Chinese sovereignty. After 4 June, the people of Hong Kong are extremely uneasy about the future. If one-party rule is imposed on the people of Hong Kong, Macao, and Taiwan in a disguised form, the unification thus achieved will not be acceptable to the people on both sides of the Taiwan Strait. The goal of the federal system is unification on the basis of peace, democracy, and the protection of human rights and freedom. Only by establishing a clear-cut goal can people build up faith in the future.

In the political situation of the 1990's, the FDC will not get involved in Taiwan politics, but we need the support of various quarters of Taiwan. Our objective is clear. We want to end one-party rule on the China mainland and bring about democratic politics. This goal is entirely attainable and is not too distant that it cannot be seen. We can achieve this goal step by step. This goal is not simply the task of the FDC. If Mainland China moves toward this goal, the unification of China will be brought onto the agenda. This unification involves Taiwan, Hong Kong, and Tibet. It is the common cause of all Chinese people.

Yang: Is the federal model the view of the FDC?

Yan: It is my personal view. The FDC has not written it into its program.

The Experience of Taiwan Is of Reference Value

Yang: In the 1990's, your goal is to strive for democracy and push forward your movement. In your movement, what role can Taiwan play?

Yan: We plan to visit Taiwan. We are happy to see Taiwan starting its democratization process. The current elections to public offices in Taiwan have also given Mainland China some inspiration. In the 1990's, China will definitely see the holding of elections. We must prepare ourselves for the election of deputies and councilors on the mainland. The experience of Taiwan is of

reference value. For instance, there must be law against election fraud on the mainland.

The experience of Taiwan in its democratization process will have an impact on the mainland. When we hold meetings now, we all have a chance to express our views. Although this may take more time, one has a sense of participation because one can say what he or she thinks. The democratic experience of Taiwan and the experience of the FDC will prove popular on the mainland.

Yang: I think the mainland will also go through three stages of political change as did Taiwan, moving from one-party rule to one-party predominance, then on to competition between two or more parties. In the process, contradictions and conflicts between parties are likely to be great. What is your view of bipartisan conflicts in Taiwan?

Yan: The advantage of bipartisan politics lies in the fact that it can prevent one-party rule, the violation of human rights, and the strangling of people's freedom. This is a mechanism of political "checks and balances." In bipartisan politics, it is necessary to promote competition on the basis of law abidance, to prevent the involvement of violence in politics, and to guard against election frauds.

Yang: I quite agree with you. But in the West, including many of the South American countries, bipartisan politics is no absolute guarantee of democracy. How will bipartisan politics evolve before it can become democratic politics in the true sense of the word will also involve a process. Although bipartisan politics is practiced in some of the South American countries, there is also autocracy there. In the United States, bipartisan politics is doing fine. In Japan, although the Liberal Democratic Party is predominant, there are also other parties to check and balance its power. The situation in Taiwan is rather special, but it too has moved from one-party predominance to bipartisan politics. I understand that when you talked about ending one-party rule, you were hoping that Mainland China would move from one-party rule to bipartisan or multiparty politics. It has already been proven that the move from one-party rule to bipartisan politics to perfect democratic politics will involve a process. Would you care to discuss this?

Democracy Primarily Means the Guarantee of Freedom

Yan: Your question touches on two issues, one of which is that bipartisan politics does not necessarily guarantee freedom and that democracy is the guarantee of freedom. We have also discovered this problem, and that is why in the program of the FDC we have enshrined the "protection of basic human rights" in Article 1. Without clear-cut protection of human rights, democracy, whatever its form, is meaningless. Although bipartisan politics is practiced in some of the South American countries and developing countries, it has brought the people endless disasters. However, we are still taking bipartisan or multiparty politics as our goal because we want to avoid large-scale purges brought on by one-party rule, such as the disasters of the Cultural Revolution and the

big massacre. We know that simple bipartisan politics cannot solve the political problems of China, and efforts must first be made to protect basic human rights. The Hong Kong problem has become more and more serious these days, with the Chinese Communists continuously encroaching upon the basic rights of Hong Kong people and Hong Kong people lacking sufficient courage to put up an effective resistance and fight. It does not mean that there is no resistance at all, but the fact that the overwhelming majority of the people are silent is a very serious problem. Without the protection of basic human rights, democracy is out of the question, and this is exactly the kind of crisis confronting Hong Kong. The concept of democracy and the concept of human rights are very different concepts.

Yang: When I attended a conference in Hong Kong last year, I said that Hong Kong is a place with freedom but no democracy. I do not know whether you agree with me on this point. Communist China is primarily to blame for the mounting problems in Hong Kong. One may say that Communist China should bear 75 percent of the blame while Britain should bear the remaining 25 percent of the blame. Communist China is so domineering that Britain does not have the guts to stand up against it. The British only want an honorable pull-out from Hong Kong and to end their rule there. The fight for democracy is best left to the Chinese people and they want no part of it. There is precious little that the people of Hong Kong can do when they have to please both the Chinese Communists and the British.

Human Rights Know No National Boundaries; They Are Not a Country's Internal Affairs

Yang: Human rights is a concept that transcends national boundaries and political parties. Hence, it is by no means an act of intervention in the internal affairs of another country to point out its human rights violations. There may be compromise between nations on political issues, but there is no room for compromise where human rights are concerned.

Yang: This is already stated in the UN Declaration on Human Rights, to which Communist China is a signatory.

Yang: Noncompromise on human rights issues is not a clearly defined concept as far as some state leaders are concerned. As for Hong Kong, the basic human rights of Hong Kong people, such as freedom of the press and freedom of speech, have time and again been infringed upon by the Chinese Communists. Why is the resistance of Hong Kong people so weak? The British Government, for its part, has not done too good a job protecting the human rights of Hong Kong people either. It is between the two countries for the British Government to compromise with China on political issues concerning Hong Kong, but it grieves me to see the British Government conceding time and again to China when the latter infringed upon the basic human rights of Hong Kong people. Human rights know no national boundaries.

Besides, Hong Kong is still under British rule. The seriousness of Communist China's violation of basic human rights has really reached unprecedented proportions.

The fight for political democracy can also proceed from the nonpolitical sphere. This so-called nonpolitical sphere refers to basic human rights and freedom.

Yang: Do you mean the British Government could do much more and much better for the people of Hong Kong, but has not done well enough?

Yang: Notwithstanding the pressure from Communist China, a better job could have been done in protecting the freedom and rights of Hong Kong people.

Mo: Do you mean that in its negotiations with the Chinese Communists on the Hong Kong question, the British Government should have separated the internationally accepted principles of human rights from compromise and concessions in intergovernmental negotiations?

Yang: Yes, that was what I meant.

Yang: Mr. Yan, you will probably agree with me when I say that this has nothing to do with politics from the perspective of democracy and freedom, but that it concerns politics in actual practice. Why do you think the British are so weak in their dealings with the Chinese Communists? They have done a good job protecting human rights at home, but seem changed when dealing with the Chinese Communists. Thus, I find it necessary to separate democracy from freedom. I criticized you at a Hong Kong conference last year. I believe that it is possible to start the democratization process under the one-party rule of the Communist Party. What is your view now?

Yang: I had my limitations then. As I see it now, it is very important that the people be made aware of the distinction between democracy and freedom. "Protection of basic human rights" is man's noble thought as human beings and has nothing to do with party politics. It was out of concern for man's basic rights and freedom that members of the U.S. Congress, irrespective of party affiliation, condemned the 4 June massacre. Anyone who compromises and concedes on questions of human rights is not worth the name of politician.

Yang: Members of the U.S. Congress are independent on this issue and do not have to consider the political implications, but the British Government must consider the political reality. It has Communist China to deal with and has to protect British interests on the China mainland.

Yang: That is why I think that in the 21st century, mankind will have established a series of new global principles. One of these principles will be the Helsinki principle, which must be observed regardless of changes in national boundaries or union of states, including the establishment of the European Community and the

establishment of Federal China which will embrace Taiwan, Tibet, Hong Kong, and Macao. The Helsinki principle is a very important principle. The second major principle is the distinction between freedom and democracy.

Peaceful Reunification Will Occur in the 21st Century

Yang: As noted by historian Tang Degang [07781 1795 0474] in his studies, there is no precedent for peaceful reunification in Chinese history.

Yan: This may have been the case in the first or second millennium, but in the next century, that is, the third millennium, this historical phenomenon will appear.

Yang: On what basis did you say that the reunification of the country and the establishment of a political entity will take place peacefully in the 21st century?

Yan: The emergence of the European Community is a major factor. In the 21st century, international organizations will be the most important phenomena in this world. Different countries will work for peaceful development through these international organizations.

Yang: But there are also international organizations in the 20th century. We know for a fact that the United Nations is very weak in its mediating power and influence. How can such a weak international organization become a strong body that can promote peaceful changes?

Yan: A series of new changes will occur in the 21st century. I quite agree with the concept put forward by the Dalai Lama of building Tibet into the largest natural reserve on earth. After visiting Hawaii this year, I had a new idea. It is generally believed that, for a society to develop, it must achieve industrialization. However, everything in Hawaii is imported from either the United States or Japan. It even stresses that it is not going to develop industry. I came up with an idea there and then: In the 21st century, many regions will not be developing industry and will be turned into natural reserves. Their backwardness today will become their wealth tomorrow. Instead of having a go at industry, Tibet will become a tourist resort in the future. In this way, development in Tibet will be financed by international tourism. The same will hold true for many places in Africa. The developing countries have been advocating the idea of developing national economies. This makes sense today. However, I believe that in the 21st century, Hawaii, Tibet, and many of the backward regions in Africa today will become important "natural reserves" for mankind as a whole. The third important principle for the 21st century is the establishment of global natural reserves.

Yang: What you have said reminds me of our discussion in Hong Kong and my discussion with Mr. Wan Runnan last month. I sensed a very profound change in your thinking.

Yan: In future, China must recognize private ownership rights, for only in this way can it promote economic development. After arriving in France and seeing the competition that went on, I thought to myself: With our wisdom, resourcefulness and industriousness, we Chinese will have an edge in competition.

Yang: Taiwan is a case in point.

Yan: The Chinese people are industrious and can bear hardships. Provided that there is a democratic political system and social stability, that private ownership rights are guaranteed, and that the private economy is developed alongside the state sector, it will not be too difficult for Mainland China to reach the level of Taiwan or Hong Kong in its economic development in 20 or 30 years. Town and township enterprises in southern Jiangsu, for instance, have been developing on a spectacular scale and at a spectacular speed in recent years. China's economic potential lies in the industriousness of its people.

Yang: In fact, the Chinese have created three economic miracles on earth—Taiwan, Hong Kong, and Singapore.

Yan: The Bay Area on the west coast of the United States may also be seen as a Chinese economic development zone.

Why Did Zhao Ziyang Fail?

Yang: If Overseas Chinese can create three economic miracles, the Chinese on the mainland can do the same with the right kind of political and economic systems. The Chinese economy and economic reform have now met with setbacks. Actually these setbacks started in 1988, and even before this, at the end of 1987, Zhao Ziyang had already encountered great difficulties. Do you think the Communist Chinese economy can really take the road of a mixed economy as you said?

Yan: There are reasons why the Chinese Communists failed in their economic reform. What the liberals are going to do in future will be pretty much the same as what reformers are doing now, that is, showing a leaning toward the market economy. The fact is, the market economy and the relaxation of price control have no way of making the economic reform work unless private ownership rights are guaranteed. There are two fundamental reasons why economic reform failed in the past. First, efforts had not been made to clearly define the relationship between property rights. Second, the entire reform lacked legal assurances and was subject to the whims of some leaders. The difficulties and confusion brought on by reform gave cause to protests at the Tiananmen Square. At that time, Zhao Ziyang had the responsibility and also the ability to step forward and contend with Deng Xiaoping. Zhao Ziyang did nothing of the sort, partly because he realized that reforms introduced in the past had produced great difficulties and that he would not have any way of overcoming these difficulties even if he were in total control.

Yang: Did people not say that Zhao's power was weakened at that time?

Yan: Not weakened. The fundamental reason is that even if he could call a plenary session of the CPC Central Committee and could remove Li Peng, Yang Shangkun, and even Deng Xiaoping, he still felt that he could not solve the economic problems confronting China. Due to his theory of the initial stage of socialism and market confusion, he knew he would not be able to solve all the problems even if he could play for time.

Mo: And so this gave Li and Yang an opportunity?

Yan: At the same time, Zhao also felt exhausted. He was overcome with a sense of failure. The theory of the initial stage of socialism was the cause of failure. As a result of the promotion of this theory, any trash can be thrown into this "basket." Rather than a mixed economy, we had a mixed movement with no rules. The theory was wrong, but it cannot be abandoned all at once. Having no rules to go by in the reform was a serious phenomenon. Also, the relationship between property rights was not clearly defined. All the nasty phenomena found in reform would, to a greater or lesser extent, find reflection in the movement for democracy. My feeling is that the undesirable phenomena that cropped up in the course of reform have also affected the FDC. Hence, I think that Zhao's failure was inevitable. At that time, he could have stood on the side of the people, and there were many people in the Army who supported the students. Zhao had two misgivings then. First, he was afraid that the movement would turn into an intense civil war if things were not handled properly. Second, he knew that, even if he succeeded in toppling Deng Xiaoping and seizing total power, he had no way of solving the economic problems. Hence, there is no way that Li Peng can solve the economic problems, for even Zhao Ziyang was at his wit's end.

Yang: You think that Zhao had the power to remove Deng, Yang, and Li then?

Yan: Under the circumstances at that time, Zhao had sufficient support to do so. This is particularly true during the four days between 16-19 May. He was totally capable of seizing power had he acted with resolution and clearly sided with the people.

Yang: Did he not oppose the suppression at the Standing Committee meeting of the Politburo? Why was his motion not carried?

Yan: His attitude was rather ambiguous, and he had not done more. In politics, the general trend is irresistible, but concrete actions have a lot to do with the personality, integrity, and ability of political figures. As a politician, Zhao is a weak person. He had the opportunity, but his theories were wrong and his economic reform lacked legal assurances. Deng Xiaoping, Zhao Ziyang, and Li Peng should all be held responsible for the confusion. Zhao also lacks boldness and resolution in work.

Yang: Do you mean his indecision caused him to let slip a golden opportunity?

Yan: He not only let slip a golden opportunity; more important, the mistakes of his ideological guiding principles and theories were responsible for the failure of the reform. This failure brought about changes in the Communist Party and resulted in the Chinese people suffering such ruthless suppression. The strong reaction shown by the international community made the communist parties in Eastern Europe think twice about resorting to the same course of action. We may say that the Chinese people have irrigated the soil of Eastern Europe with their blood and hastened the bearing of fruits of freedom there. The achievements of Eastern Europe will take years before they can have their effects on China.

Li Peng Should Yield to Popular Demand and Resign

Mo: Would Mr. Yan care to end this discussion with an appraisal of Deng Xiaoping?

Yan: Many people say that although Deng Xiaoping has stepped down from office, he is still "ruling the country from behind the curtain." My view is that Deng Xiaoping's decision to step down has produced an impact on Chinese politics. The Chinese people have imperceptibly shifted to Li Peng and Yang Shangkun the responsibility for ordering the 4 June massacre, particularly to the former. To cut short the sufferings of the Chinese people, the most sensible thing for Li Peng to do is to offer his resignation. Resignation by the person who was directly responsible for the 4 June massacre will dissipate the anger harbored by the people against him. I understand that Li Peng has not only become exhausted, but has been living with growing fear since taking on the premiership. This being the case, it would be best for him to resign.

Unrestricted Power Called Major Source of Corruption

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[Article by Zhang Zonghou (1728 1350 0624) and Liang Yan (4731 1750): "Causes of Corruption and the Role of Restricting Power"]

[Text] Newspaper reports on punishments in cases of corruption are increasing recently. During the one month from 15 July to 15 August 1989, not only were these reports appearing every day in RENMIN RIBAO, exposing corruption in more than 40 provinces, municipalities, and counties, but the reports had it that many of the culprits were directors or heads of their particular units. These exposures, on the one hand, demonstrate the CPC's firm resolution to punish and eradicate corruption, and, on the other hand, gave people some food for thought: Why was trading by cadres and their offspring not stopped despite repeated orders to stop; why has the crackdown on such decadent practices as graft,

embezzlement, and bribery not been successful; or why did these phenomena erupt again after periods of "shock assaults" had been launched against them? Why is the sphere penetrated by these decadent practices growing wider and wider and involving an ever larger number of personnel? What are, after all, the reasons that corruption cannot be radically eliminated? On analyzing the manifestations and causes of these decadent practices we have come to believe that the most fundamental reason is the lack of a systematic power-restricting mechanism. The indiscriminate use of power is not being checked, and that is why corruption cannot be radically eliminated. The crucial point for any fundamental eradication of corruption is, therefore, to establish a systematic and authoritative power-restricting system, based on the strength of law and proper institutions.

A. Some Manifestations of Decadent Practices

According to newspaper disclosures, decadent practices in the economic field are of the following kinds:

1. Misuse of power for personal gain, large-scale trading of power against money. These are the most conspicuous instances of corruption. Certain departments or personnel entrusted with power to allocate materials or distribute bonuses frequently misuse whatever power they command for personal enrichment. In banks they seek personal gain by granting loans; if in charge of materials, they use allocation of materials; if in charge of taxation, they use taxes; if in charge of industrial and commercial affairs, they use licensing (of businesses or occupations and professions); if in charge of census registration, they use census registration; if in charge of electric power, they use electric power for personal gain, and so forth, always trading their power for money.
2. Graft and bribery have become common practices. As reported, procuratorates of all ranks throughout the country have exposed over 3,300 large and important cases of graft and bribery during just the first half of last year, involving more than 120 cadres of county and division rank and 11 cadres of ministerial department and bureau rank.
3. Entertaining guests and presenting gifts at public expense, serious squandering and wasting of funds.
4. Building houses, repairing houses, seeking all amenities of life at public expense.
5. Serious official and private racketeering. This is actually still an exchange of power for money. Some people use their powers of distributing bonuses and materials to issue notes of entitlement or to illegally order the sale of raw and other materials in short supply, thereby enriching themselves in these foul ways.
6. Speculation and profiteering, fraud and extortion. Looking at the conditions exposed in RENMIN RIBAO, we see that a great change has occurred in the type of people engaged in these criminal activities of speculating

and profiteering. The culprits are not only ordinary people, but even some party cadres.

7. Serious violations of discipline in property and financial matters.

We may say that corruption has crept into every area of society. It has become common practice to misuse power for personal gain, to commit graft and accept bribes, for cadres and their offspring to engage in trading, and for their general lifestyle to become extravagant and decadent. In addition, the unfairness of social distribution has more and more people concern themselves only with their own selfish interests, has them barter power and other facilities available in their positions, and has them render corruption into a social institution. A reason for particular concern is that the corruption of party cadres in recent years has corroded the very body of the party and weakened the prestige of the party among the people. It is, therefore, now of the greatest urgency to resolutely mete out severe punishment in all cases of corruption, particularly against corrupt elements in the ranks of our party cadres, and to eliminate their evil influences.

B. Probing Into the Causes of Corruption

On analyzing the large number of cases that have been exposed and the various forms in which corruption has manifested itself, there are the following aspects in the causes of corruption:

1. In the system of organization, a cause that engenders corruption is the clash of a structure of pluralistic interests with a unitary institution. Pluralistic interests and a structure of pluralistic interests have come into being during the reform, which has brought about new strata of wealth, such as the huge number of town and township enterprises, nongovernmental enterprises, and multitudes of individual entrepreneurs. The current unitary institutional structure will not allow these people an opportunity to express their interests. In order to gain certain economic benefits and favors, as well as to broaden their production and gain the ability to make a living their way, these interests will not shrink from expending large sums of money and presenting valuable gifts in order to establish "links" for their operations, will not shrink from using money and materials in exchange for support from departments or organs in charge or to gain economic benefits or a small spot in the political sphere. This is the fundamental reason for the trading of power for money. Many enterprises will not try to increase their profits by increased production and lowered costs, but will rather use their resources of manpower, finance, and materials to win various favors from the government, and these too cause bribery and corruption in certain government agencies and departments.
2. Another cause of corruption is the government's wide-ranging power to control the economy and the ill-defined nature of its corresponding responsibilities. For the last 10 years, China has made efforts to separate

government administration from enterprise management, but the government's power to control the economy is excessive, and no radical change has occurred in the way the government and its personnel interpose themselves directly in economic processes. Especially during this time, the transformation from an old to a new system, the dual-track price system, slanted taxation policies, an economy that is half government-run, half market economy, and so forth, have had the government preoccupied primarily with ensuring harmonious development of the entire national economy and preventing the loss of macroeconomic control, and had the government intervene to a greater measure in the economy by means of administrative measures. However, the frequency with which such acts of government interference in the economy by means of administrative measures occurred was frequently in direct proportion to the occurrence of corruption in government. This has also been proven in the practice of many other countries. Someone has further verified this point by a comparative analysis of conditions in other countries before and after World War II. Prior to World War II, the sphere of government control of the economy in European countries and the United States was generally limited to the fields of public finance and tax revenue, and corruption was also committed mainly in these fields. After World War II, with the expansion of government interference in the economic field, as foreign trade permits were introduced, policies of industrial subsidies enacted, etc., corruption in government also spread in many more directions. In China, the trend is now one of continuous expansion of the government's powers of controlling the economy, but no clear provisions have yet been made as to the responsibility to be borne by those who exercise power. This provides opportunities for the indiscriminate use of power and for misusing power for personal gain. Reducing the scope and extent of government interference in the economy and also clearly defining its responsibilities and the limits of its power, therefore, is an important link in all efforts to check corruption.

3. The unclarified condition of autonomy of state-run enterprises and the powerlessness of the resistance mechanism of the enterprises are factors that provide a hotbed for the growth of corruption. Speaking from the standpoint of the enterprises, the property rights of China's state-run enterprises have not yet been clarified. The position of enterprises as independent, autonomous entities of commodity producers and traders has not been affirmed. Control of enterprise production, supply, and marketing, as well as of personnel, financial, and materials affairs is still in the hands of the government, and enterprises are still in the position of appendages. Under these circumstances, the enterprises cannot possibly put up very strong resistance to the impositions of superior government agencies, to resist their "eating off them, taking from them, and squeezing out of them." Weakening the resistance mechanism of enterprises has resulted in increased misuse of power by departments and personnel who wield economic power, which they use for extortions and blackmailing. Because China as a

whole is still a country with a shortage economy, state enterprises cannot obtain all raw materials required for production from allocations through regular channels. To fulfill their production tasks, enterprises have no other way than to resort, against their original inclinations, to various other channels and will not shrink from bribery and giving presents in order to get their raw materials and be able to market their products, and this involves many more working personnel in the giving and receiving of bribes. A substantial and effective method to radically eliminate corruption would, therefore, be to transform the enterprises into truly independent and autonomous economic entities.

4. The absence of legislation to prevent and control corruption, which has left conventional efforts to punish corruption weak and powerless, is an important reason why corruption could grow to today's dimensions. Today, there is corruption not only in government, but also in the enterprises. Corruption is at every level and in every trade, and we may say that corruption has infiltrated into every field, while measures to punish and control corruption are pitiful. Some countries rely on a multitude and variety of civil service legislation for the prevention and control of corruption among officials. For instance, Great Britain has a "Civil Service Law" and a "Law for the Prevention of Corruption," Singapore has a "Law for the Prevention of Graft," and Hong Kong has "Regulations for the Prevention of Bribery." China, however, has so far no special legislation to stop corruption among government officials. Although there are some penal provisions relating to the crimes of graft and bribery in the penal code and in resolutions of the NPC [National People's Congress] Standing Committee, actual enforcement is not at all ideal, so that the regular mechanism for punishment and control of corruption is still weak and powerless, and that it would be necessary in case of urgent need to rely on the present method of a campaign-style large-scale investigation drive. Changing the present state of deficient legislation for the punishment and control of corruption, accelerating new legislation in the interest of honest government and for the prevention and control of corruption, establishing a sound regular mechanism for the prevention and control of corruption, and promptly putting a stop to all incidents of corruption are the tasks that we must now firmly take in hand.

5. The unfairness in social distribution, which is becoming more evident with every passing day, and the meager income of government personnel are the deep-rooted reasons why public employees in many countries become involved in corruption and bribery. Unfair social distribution is now becoming increasingly evident. Some private businessmen with ample funds, managers in joint-venture enterprises, actors, some official or private racketeers operating in the area of commodity circulation, and some individual entrepreneurs make more money in one month than a common government worker or employee in a year. The meager income of public employees and the frightening rise in commodity

prices finds some employees, who may have little strength of self-restraint but who are entrusted with authority to distribute materials, funds, and manpower, unable to resist the temptations of material things and money, and thus draws them into corruption and bribery. The occurrence of these decadent practices is, of course, bound up with the personality of the public employee concerned, but reform of salaries and wages paid to state employees must be recognized as an important measure to remedy things.

6. The lack of lucidity in the performance of government agencies and the unsatisfactory state of the supervisory mechanism are the very soil in which corruption thrives. In recent years, some work has indeed been done in China to render government more open and to provide greater lucidity in the work of government agencies, and certain successes have been achieved in this respect. However, there is still no complete openness between the higher and lower ranks of government organs, especially concerning departments that control economic affairs and that examine and approve allocations of materials and formulate relevant plans, including formulation of plans for the supply of agricultural means of production and raw materials that are in short supply. In these respects, a sound supervisory mechanism is also lacking, and this fact again provides opportunities that those intent on corruption and bribery will certainly take advantage of.

7. The pernicious vestiges of feudal bureaucratic politics are historical causes of corruption and decadence. In historical perspective we see that China's society has for a very long time been a feudal society, and that China has a strong tradition of feudal bureaucratic politics. Emerging from this kind of womb, New China cannot avoid being somewhat influenced by this historical residue. In feudal society, for instance, the principle was that "the sovereign is the state," and that "all land under the sky belongs to the king." The sovereign's powers were unlimited. Revenue of the state treasury was often considered personal income of the sovereign. Large and small officials in the provinces and counties also participated in the distribution of social wealth. There is the old saying "of 10 officials, nine are corrupt." These historical influences must not be ignored; their present manifestations are misuse of power for personal gain, individuals eating from the public coffers, and everybody feeding off the state.

Looking why corruption and decadence arise, we see that if we want to radically stop corruption and decadence, it would obviously be of little effect to fight merely the actual acts of corruption and decadence. The most basic cause is still that there is no restriction on power. The crucial point in the eradication of corruption is, therefore, to impose restrictions on power and to establish a systematic power-restricting mechanism.

C. The Role of Restrictions on Power in the Fight Against Corruption

1. By establishing a systematic power-restricting mechanism and clearly defining the sphere of power of every

level of government, it will be possible to effectively stop the expansion and misuse of power, and thus also prevent the spread of decadent practices. According to the principle of separating government administration from enterprise management, an appropriate reduction of the sphere of government control of economic affairs, and the extent of its direct interferences, by truly turning over power to the enterprises, would be the most fundamental method of rectifying and controlling corruption. It would also be the right way to prevent the spread of decadent practices and stop the rampancy of trading power for money. At the same time, it will be possible by a restraint on power to prevent the misuse of power, to prevent acts of short-range speculation, and it would also ensure harmonious coordination within the entire economy, and make it possible to achieve the prevention of decadent practices.

2. By establishing a systematic power-restricting mechanism we shall be able to effect a change in the phenomenon of the government having power without responsibility. We would be able to clarify the sphere of government responsibilities, to impose due restrictions on the execution of power, leaving no opportunity open for those intent on misusing power for private gain, and would thereby also be able to effectively put a stop to corruption.

3. By establishing a systematic power-restricting mechanism, especially a restrictive mechanism in the internal structure of government, by clearly defining the limits of power and the sphere of responsibilities at every post, we would be able to reduce corrupt practices to a minimum. Government responsibilities in this context means determining from a micro-viewpoint the limits of power and official responsibilities of government employees at their specific posts. Because it is a precondition for the effective operation of the power structure, we must earnestly uphold at the higher level of power organs the principle of democratic centralism, preventing power from becoming concentrated in the hands of individuals. Another precondition is that we must effect an appropriate measure of dispersal of powers and effective restraints on powers. By establishing internal restraint mechanisms on personnel, that is, by appropriately splitting up the excessively concentrated powers held by any particular department, unit, or individual of the government, we shall change the power structure in which only the voice of one particular department or one particular man is decisive, and arrange that certain powers held by any particular department or by any particular individual can only be exercised with the cooperation of others. At the same time that we split up powers, we must strictly prescribe the responsibilities of each particular post, to ensure that powers are exercised within proper spheres and in legitimate ways, and to thereby put a stop to the practice of escaping responsibilities. Splitting up power and delineating the limits of power can restrict misuse of power and can also promote and encourage the correct exercise of power, thus reducing opportunities for corruption to arise.

4. By establishing a systematic power-restricting mechanism we can strengthen the regular institutions for the rectification and control of corruption, turn passive anticorruption into active investigation of corruption, and take preventive measures against future trouble. It is precisely as someone once said: "Power possesses unimaginable demonic and magic power. It is like opium, no matter how a person may have hated it and abstained from it before, once he has tasted its sweetness, he will not be able to abstain from it anymore. As applied to a man who once has held power, returning him to his former state is impossible. At every moment and in every place, his ambition will be to consolidate and expand his power, strengthen and protect the ram-parts of his position, and furthermore do his best to extricate himself from restrictions that the masses may exercise over them. ... Even if it is a person of pure idealism, after he has gained power, he will find it impossible to escape from engendering corruption in the course of his exercise of power." The only way to prevent misuse of power is to use power to restrict power; this is an age-old experience. And law is precisely the basic form by which power of the whole entity restricts the power of the individual or of a smaller group. A country without a sound legal system is a country with an unsatisfactory power system. If the power structure is unsatisfactory and relies solely on moral, ideological education, it can at most restrain public servants with administrative discipline. If the restraining mechanism is particularly weak, it is impossible to stop the spread of corruption. Facing an even more ferocious situation in the near future, the area of penetration will expand wider, more party members and cadres will be drawn into corruption, and this will also force us to place establishment of a strong and forceful regular restrictive mechanism on the agenda of the day. That is, through enactment of a civil servants law, anticorruption law, and other laws we must clearly define the powers of the government, its responsibilities, also the powers of office and responsibilities of public employees, so that every violation of the law or any misuse of power will be dealt with according to law. Since law is the highest authority and is universally applicable, and possesses a stabilizing and normalizing character, establishing a power-restricting mechanism on the foundation of the provisions of the law will render the restrictions durable, constant, and normative, and will thus serve well as a most efficient and orderly method of rectifying and controlling corruption.

Background of Foreign Ministry's Zhou Nan

90ON0272A Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese
No 207, 16 Dec 89 pp 10-14

[Article by Wei Mu (7279 2606): "Unraveling the Mystery of Zhou Nan's Background"]

[Text] Product of the Student Underground—Executor of Hong Kong-Macao Affairs

Zhou Nan is a pseudonym; his real name is Gao Qingcong [7559 1987 3827]. As with many high-level Chinese Communist officials, Zhou Nan started as a leader in the student movement. He secretly joined the party when he was 18 and, after studying at Beijing University for a year, passed the examination for Yen-ching University. In 1948, he went secretly from Beijing to the Shanxi-Chahar-Hebei Liberated Area to work on the HUI BAO student newspaper. As he was now wanted by the Nationalist (Kuomintang) authorities, he remained in the liberated area and began operating under the name "Zhou Nan."

Zhou Nan Is in Charge of the Foreign Ministry's Hong Kong-Macao Affairs

Zhou Nan, vice minister of foreign affairs, is the senior official dealing with Hong Kong and Macao. Several years back, during Anglo-Chinese negotiations about Hong Kong's future and Sino-Portuguese talks on Macao, both of which attracted worldwide attention, Zhou headed both Chinese delegations. After the 4 June (Tiananmen Square) incident, he attended a major conference chaired by Ji Pengfei [1213 7720 7378] about Hong Kong. Also at the meeting was XINHUA NEWS AGENCY's Hong Kong bureau chief Xu Jiatun [6079 1367 1470]. But other than his name, Zhou Nan, few people knew much of the background of this key player, a tall, scholarly and literary man who often used poetry to convey a subtle commentary on events. Certainly, it has not been easy to know him, and this article may be the first one to cover his life in some detail, or may help to understand his responsibilities.

Born as Gao Qingzong in Changchun in Jilin Province

He was born in December 1927 in Changchun, Jilin. However, his ancestors came from Qufu in Shandong. It is said that a forebear, Gao Chai [7559 2693], was one of the 72 disciples of Confucius. In the last years of the Qing dynasty, Shandong suffered a terrible famine, so his grandfather left for the then Manchuria [the Northeast]. His name thus is really Gao Qingcong, not Zhou Nan.

His Father Served Chang Hsueh-liang

His father served for some time as a civilian official under the Young Marshal, Zhang Xueliang [1728 1331 5328]. When the "18 September Incident" occurred, the four-year old went south to Tianjin, where he spent his childhood and adolescent days attending Yaohua elementary and secondary schools. Enthusiastic about literature, he took the entrance examinations for Beijing University and gained admittance to that highest academic institution on the first try.

Joining the Underground Party, He Changed His Name and Embraced the Student Movement

After a year majoring in philosophy, he entered Yen-ching University, first majoring in economics, and then Western literature. It was when he was cruising the Western cultural seas that he encountered Marxism and

joined the Communist Party underground. That was in 1946 when he was 18. Thereafter, he used the name Zhou Nan in the anti-Kuomintang student movement.

Key Player in Yenching's Underground

In June, 1948, he became a key member of the underground, and slipped out to the Shanxi-Chahar-Hebei Liberated Area to work on the HUI BAO student paper's section on regional city works. Just as he was about to return to Beijing, the party told him that he had been classified as a "professional student" by the Kuomintang authorities, so he stayed in the area. Gradually, the name Zhou Nan became better known.

"Home Is Frigid Snow and Broiling Heat"

When the Korean war erupted in 1950, the fervor of China's impetuous youth was galvanized by the rallying cry of "Resist America and Aid Korea, Protect the Home and Defend the Country." That year, Zhou Nan signed on as a volunteer to fight in Korea. Since he was fluent in English, he was put in charge of American prisoners of war. It might be said that this was the start of his career in foreign relations. While he had not contemplated this line of work, he embarked upon a life of diplomacy.

When China and Pakistan established formal relations in 1951, Zhou accompanied the first Chinese ambassador, Han Nianlong [7281 1628 7893], to Karachi, and wound up staying there for over four years. After that, he was assigned overseas twice, the first time in the 1960's when he spent five years at the embassy in Tanzania. The second time was as part of the Chinese delegation to the United Nations, for a total continuous service of about 10 years abroad.

He has trekked across the globe from the frigid snows of Korea to the torrid sun of the African continent, from the poverty-stricken Third World to the wealthy superpowers. In this period, he wrote two poems for friends; one, seven stanzas (four lines each) rather poignantly flavored with homesickness: "For 20 years, my footprints have covered warm and cold spots, neither vigorous spirit nor melancholy soul has seen its last. Now another season has gone by, when will the silent crooning come home." The second is a verse of eight lines: "Home is frigid snow and broiling heat, China's sons and daughters are everywhere. We are masters of three quarters of the earth, A sincere heart will flower. Beacon fires light up every hill, Waves billow like turbulent dragons and serpents. Coconut trees flourish everywhere thick as blood, The rascally west wind chases away the rosy clouds of the evening." Judging by the flavor, this is both a commentary on his own sentimentality as well as about the world.

After returning from the far shore of the Pacific, Zhou's work focused on Western Europe and the Hong Kong-Macao area. In 1984, he became vice minister in charge of West European affairs. Concurrently, he was president of the School of Foreign Relations for two years.

In Charge of Hong Kong and Macao Negotiations

The signing of the Anglo-Chinese and Sino-Portuguese Joint Declarations are historical landmarks in diplomatic history resolving some international disputes left in the legacy of history. And people will remember the person responsible whenever the subjects are discussed.

This writer covered the negotiations, coming away very convinced of Zhou's skill in creating an atmosphere of active negotiation. With metaphor and simile, quoting poetry and citing the ancients, great writing ability, subtle in his points, often hiding a deeper meaning in smiling banter, he led people guessing, and never came close to leaking "diplomatic or negotiation secrets."

I remember, in one of the closing sessions of negotiations between the British and the Chinese—21 August 1984, during the second phase of Round 21—when Zhou used tourism as an opener. He asked the British delegate, Evans, whether he had had a chance to visit the resort area, Beidaihe. Evans replied that he had been there 20 years before. Actually, shortly before the session, Zhou, Ji Pengfei and Wu Xueqian [0702 1331 6197] had just seen Deng Xiaoping at Beidaihe seeking guidance on the Hong Kong question. At the time, negotiations had been rather fraught with tension. Now, Zhou asked, "There are many places yet to see in China. Have you seen the Three Gorges of Yangzi? You should. The Tang dynasty... The great Tang dynasty poet Li Bai once wrote a wonderful poem about them. There is one verse, 'Monkeys cry without pause on both banks, the light boat has passed the ring of hills.' Not only does this describe a picture, but the poet expressed his own emotion. This is feeling residing inside a scene. Why don't we go and experience it?" Four months later, when the Joint Declaration was formally signed in Beijing, when both delegations raised their glasses in a toast, the joy was as the "light boat passing the ring of hills."

Zhou has forcefully emphasized that the successful conclusion of the two sets of negotiations have been due solely to the growing strength of China and Deng Xiaoping's policy of "one country, two systems." He dismisses the significance of his own role.

But a friend of this writer said that, during the entire negotiation, Zhou knew thoroughly the situation on both sides, had a great sense of timing, kept a clear and alert mind in using various strategies and tactics, and deserved much credit.

An Optimistic View of Hong Kong and Macao for the 21st Century

When I asked Zhou recently for his views on the future of Hong Kong and Macao, he quite forthrightly said, "I am very optimistic. Despite the fact that some people are uneasy about Hong Kong's future. I do not doubt for one minute that Deng Xiaoping's "one country, two systems" will become reality. China is unshakable in its determination to make it happen, and will unequivocally implement the terms of the Joint Declaration. China has

demonstrated its good faith in the matter. There has been good cooperation between the British and ourselves all along. Now some people may be playing this or that game. This is short-sighted and can only undermine the benefits for the people of Hong Kong. Actually, it is to Great Britain's interest to stay within the terms and to cooperate with China. If both sides keep the big picture in mind and genuinely cooperate, then the declaration will be well implemented and the stability and prosperity of Hong Kong will be ensured. Toward this goal, we must have vision and picture the role Hong Kong and Macao will play in the 21st-century development of the Asian-Pacific region. At the same time, Hong Kong's stability and prosperity is not possible without massive support from the mainland. One must clearly see this if all the problems are going to be dealt with properly."

Similarly, Zhou has nothing but confidence in China's future relations with Western Europe. He believes that both China and Western Europe are forces for peace. While current relations may be difficult, there are no fundamentally conflicting interests. In peace and progress, there is hope for cooperation. Both sides can increase cooperation in a polarized world which is even generally moving into a Balkanized state to bring about stability. China and Western Europe can also complement each other economically. Of course, truly good cooperation must be built upon earnest implementation of the five principles of peaceful coexistence. There must be mutual respect for historical cultural traditions and values and mutual restraint from imposing one's own aspirations and systems. And one must not violate the sovereignty of the other in the name of "human rights." As a matter of fact, debate on the West's record of "human rights" could take up half a day.

Zhou Nan—A Diplomat Must Love His Country Deeply

He believes that a diplomat represents his country. Love of the motherland and of its people is a prerequisite. Only such a deep love for one's country can instill a nationalistic spirit and be "untempted by riches, unchanged in loyalty to humbler friends, and unawed by power." "Wherever one moves to, one keeps faith with one's country." Without keeping faith with one's country, one cannot stand firm or have flexible plans. He revealed that Jiang Zemin frequently mentioned Shi Kefa's [0670 0668 4099] inviolable integrity, and the great spirit of the earlier Wen Tianxiang [2429 1131 4382], Ban Chao [3803 6389], Su Wu [5685 2976], et al. The young should know history instead of just going around praising Europe or the United States and forgetting their own heritage. If one knows the motherland better, then would understand that one should be proud to be Chinese.

He says that ancient cultures such as the dazzling ones of Babylon, Egypt, and Greece had their continuity broken. Only the 5,000-year-old one of China has continued and continuously absorbs desirable external influences. The reason is that China has withstood the test of time. Those

values that have survived must be treasured and preserved, developed, and improved upon. The wheat must be retained and the chaff discarded, but the baby must not be thrown out with the bath water. We cannot dabble with nationalist nihilism. We must absorb the essence of foreign culture (and not just Western), but we must be discriminating. We must have a healthy digestive system, must not be completely Westernized. Otherwise we would become completely enslaved, getting only the garbage of others. Some say that one is not created to serve China but the whole world, but the truth is from the past to the present, the greatest creations are for one's own people first in order to serve the world.

Zhou Nan has visited over 50 nations and territories, his diplomatic friends are numerous. When asked who impressed him the most, he lists the late Premier Zhou Enlai and Foreign Minister Marshal Chen Yi.

He spoke softly in a voice deep with emotional memories, "While the character of these two are different, both belong to the ages, both are role models; all our generation of diplomats are their students. We can never learn to live up to their qualities in a lifetime." As to outside China, Zhou hints but does not reveal. He states that there are two kinds of people. The first kind can only see an immediate area the size of the palm of their hands; they can only act in the short-range. The other kind transcends the present time and the present place, has vision and courage and takes bold action. Events have shown that today we need more of the latter. If there are more of this kind, the world will be somewhat better off.

Loves Reading and the Arts

Zhou Nan is addicted to reading, particular famous classics. According to those close to him, even when there is only a half-hour, he would pick up a book. He has borrowed volumes of the classics from the Foreign Ministry library. Very few requests are made for these. Aside from living expenses, his monthly salary is used primarily to buy books, particularly cloth-bound. Every time he buys a good first edition, he is overjoyed.

During the Cultural Revolution, Zhou Nan and his wife, Huang Guo [7806 0948], a classmate at Yenching, who was the editor of and consultant for the Foreign Ministry's Office of Diplomatic History, were taken to Jiangxi Province's "7 May" cadre school for manual labor. After a time of heavy work in planting rice seedlings, they were privileged to go boil water, giving him a rare opportunity to read. The surroundings were quiet, only the twittering of birds. Zhou Nan was in deep concentration reading borrowed volumes on the two Han dynasties, enjoying himself. Although he was lambasted in one of the criticism sessions, he was undismayed. In self-criticism, he wrote a long poem. Part of it said, "...Dropped down in Jiangxi, I plant seedlings while leaning on a staff. A good wind comes from the south, I momentarily forget glory and humiliation for a time. Suddenly I am reproached, and boundless is my concern. In my heart I seek to emulate the ancient Tao Pengze [7118 1756 3419],

carrying a gourd full of wine. As the sun sets and I put away my farm tools, I'd like to get drunk and go to sleep. I boil water under a thatched hut, and face a green ridge alone. A wonderful bird lets out a sound, wild flowers are fragrant at noon. The hills and I are one, rather like I understand the Tao. Reading the two Hans carefully, my friendship for the ancients grows. I put the volume aside with a sigh, how injurious does slander do?" This gives an idea of feelings he had close to himself. Reading helped shape his emotional control, gave him broad knowledge, and gained him respect.

In May 1988, as he accompanied foreign envoys on a trip to Lushan, he quoted from the classics and the ancients as well as current events, telling many stories related to the renowned scenic spots and amazing the Lushan administrators who had gone to tourist school.

In 1988, Zhou Nan visited Sweden. At a reception, a Swedish Foreign Ministry counsellor who had learned Chinese thought of a poem by Du Fu, but could only remember the first two verses. He consulted a Chinese diplomat, Little Zhang, who did not know either. The latter recommended that he consult Zhou. Sure enough, Zhou immediately recited the second two verses, and corrected two errors in the first two, evoking the admiration of the Swede.

Zhou Nan also loves Western culture and arts. Whenever abroad, he always visited museums and art galleries; he has visited the London Museum numerous times. In Beijing, he loved to go to the old Imperial Museum at Liuliqiang. It was reported that upon returning to China from New York, he would go to Liuliqiang at least once a month, and every two or three months to the Museum's painting and arts studios. There cannot be that many people in Beijing doing this.

He Has Crisscrossed the Oceans and Seas

Zhou Nan also loves to swim, doing so wherever he has visited. He has swum in almost every ocean and sea. He can still swim up to two hours at a time. He also likes melodies from Kunqu opera that is indigenous to Jiangsu Province and Beijing opera. He enjoys the exquisite lyrics of the former and the twists and turns of Chen-style singing in the latter. It is said that he can sing Beijing opera as well, but very rarely lets it out in public. In this regard, this writer has a friend who heard Mrs. Zhou say, "He can sing a bit, but is often off-key."

Tranquil and Calm; Reacts Appropriately to Crises

I am told that Zhou particularly likes these words. When I was pondering what philosophical meaning they harbored and how does Zhou exemplify them, I suddenly remembered what a close friend of Zhou once said to me. Zhou normally deals with matters almost disinterestedly, and he treats subordinates appropriately according to the occasion. But when a sudden crisis hits, he becomes very calm and steady, he can deal with important things and

put down unimportant ones. I wonder if this is the result of these words: "Tranquil and calm; react appropriately?"

Mao's Plain, Simple Lifestyle Extolled

90ON0314A Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese
No 12, 12 Dec 89 pp 3-5

[Article: "The Excruciatingly Spartan Mao Zedong—A Leadership Commentary"]

[Text] *Editor's Note: All his life, Mao Zedong was omnipotent. Yet he ate and dressed simply, so much so as to inspire respect for his austerity, extremely simple beyond imagination, so spartan as to inspire tears in others. He was an example of the tradition of suffering for the sake of the revolution and not only staying steadfast, but even advancing.*

Public Official With Patched Clothing

Mao Zedong never threw away a single stitch of clothing. When it became too old and worn to patch, it became patches for other clothes.

He used to say that he "loved the worn." when he was in Yangjiagou, northern Shaanxi, one of his guards held up a grey uniform which had been worn paper-thin with patches on patches, saying to him, "Chairman, please look at this. If you wear this any more, you could make a spectacle of yourself. When you render a report, one slight gesture and it might tear into shreds."

Mao took over the garment, carefully put it on his thigh and, as gently as if he were handling a wounded soldier, smoothed out the wrinkles.

"It went with me to the Lushan Conference. Then his eyes went red as he looked at the uniform and reminisced quietly. Shortly afterward, he listed some more of its "contributions." He sighed, "Well, use it to patch clothing. It can continue to serve, and I can continue to see it."

After he conquered the cities, Mao became more particular about clothing, particular about neatness and cleanliness. He received various leaders of the democratic clique and other well-known figures at the Shuangqing retreat near Xiangshan. Before he saw Zhang Lan [1728-1948], he instructed his guards, "Venerable Mr. Zhang has made numerous contributions to the cause of liberating the Chinese people, and he is an eminent democratic figure. We must respect him, please help me change into some good clothes."

The guards picked through all his clothes, but could not come up with a single piece without patches.

"Should we go borrow one?"

"No. Patching is all right as long as the clothing is neat and clean. Mr. Zhang is an honorable man. He will not look askance."

And so he wore it in receiving Mr. Zhang, and did so again when he met with Shen Junru [3088 6874 0320], Li Jishen [2621 3444 3234], Guo Moruo [6753 3106 5387], Chen Shutong [7115 0647 6639]... it was not until the eve of the birth of the People's Republic, as he was about to proceed to Tiananmen to proclaim it officially that a guard was sent to master tailor Wang Ziqing [3769 1311 3237] on Wangfujing Street for two new sets of uniforms.

After the PRC was inaugurated, Mao upgraded his taste in clothes. Any worn or torn outer garment was sent to be rewoven, unlike the old Yanan days of haphazard patching. But inner garments carried on with the old practice with patches of every shape, size, or color, whatever pieces were handy were used. Once, when he went away, there was nothing available to patch his undershirt; some medical gauze was applied. On various occasions, he made certain observations, "Doesn't matter, no one can see what's inside. As long as I don't mind, it's all right." "If I conserve one garment, the frontline soldier will have another round of ammunition." "We can be unparticular when we can't be particular. This is easy. Once the economy develops, it will be difficult to remain unparticular. We Communists specialize in doing the difficult."

Mao's undergarments and even socks were full of patches. Once, while entertaining guests, he stretched a leg and the patches on his sock were immediately revealed. The guard on duty constantly had to remind him, "Chairman, when you sit on the sofa, please keep your legs folded back. If you stretch, everything will be exposed." Mao did not have a single new suit made from 1953 through 1962.

High-Grade Treat—Braised Pork

Mao Zedong loved spicy foods. "If it isn't spicy, it's not a dish." He loved rough grains and green vegetables, sometimes he was "greedy" for wild vegetables. After the cities were taken, he kept to this habit or, should we say, tradition. From start to finish, he ate unhulled red rice and insisted that it be mixed with millet and/or black soybeans and potatoes.

When he ate formally, which was not every often, he customarily had four dishes and a soup. Always included were a dish of dry hot peppers and one of fermented bean cake. Soup was sometimes just dishwater.

He did not like to stick to a regimen, his personality chafed at restriction. He did not work set hours, neither were his mealtimes always the same, it was determined by when he got hungry. He sometimes ate two meals a day, sometimes only one. He did not like to sit formally at a table and kept the habits from the years of turmoil. In the duty guard's room there was an electric stove and a large enamel pot. The guard regularly cooked some barley gruel or some vermicelli and, with some fermented bean cake made by his everyday secretary Ye Zilong [0673 1311 7893], this would constitute a meal for him. All his life, he never had any tonic or meal treat. If one were to pick one, it would be braised pork.

After the Battle of Shajiadian, he asked the guard to get him a bowl of braised pork, first smelling its aroma deeply, sighing lightly, "Ohhh, how fragrant!" He grabbed his chopsticks and ate ravenously, soon emptying the bowl. Putting it, down, he noticed the guard looking on in fascination. Like a sheepish kid, he bantered, "A little greedy... but we won, I guess it isn't asking too much, is it?" The guard was moved. Over 6,000 enemy captured, yet all he wanted was a bowl of braised pork!

Afterward, Mao Zedong was in command in three major battles, led mighty armies across the Chang Jiang, and forged the People's Republic of China. After each time, he always asked for a bowl of braised pork. He always said, "Don't fuss over me. I would never have time to eat anyway. Just give me some braised pork every few days, and I will defeat Chiang Kai-shek!"

After the cities were secured, he continued this habit. He never sought delicacies, and particularly could not suffer banquets.

Once, after the War to Resist U.S. Aggression and Aid Korea, when he was again working without stop for many tens of hours, he had not eaten properly for two or three days. Only after he was reminded of that by a guard did he request a bowl of braised meat.

Jiang Qing learned about this and angrily demanded, "Isn't Xu Tao [1776 3447] working on some recipes? You go to the kitchen and tell them to cook according to the doctor's prescribed diet. Dr. Xu has already complained that you can't be counted on to stay on his weekly prescribed diet for more than three days!"

"The Chairman said he didn't want it. He has requested braised pork by name."

"Don't give me that chatter, just do as I say! Don't do the braised pork, what's so good about it? Just a hick, can't get rid of peasant habits!"

At meals, Mao had a habit of reading while eating. He was reading a newspaper as he started to sit down. He reached for his bamboo chopsticks, tapped them once on the table to align them. Jiang Qing picked up a piece of fish and put it in his bowl. He put the paper aside and looked toward the table.

"Hmmm," he frowned. "What about the braised pork?" The guard dared not look at Jiang Qing, who muttered, "Didn't make it, didn't make it." He had always stuck strictly to the principle of "a task assigned is a task done." Now he demanded loudly, "Why wasn't the assigned task done?"

The guard lowered his head, unable to answer. Jiang Qing remained silent throughout.

"Speak. Why wasn't the task done?" His temper now flared, "All I wanted was a bowl of braised pork. Now is that asking too much?"

After the meal, Mao got the story from the guard. Face darkened in anger, his irritated voice spat out, "That's right. She said it. I am a hick. She's a sophisticate. If we can't eat together then we should do it apart. From now on, the kind of house I live in, what I wear and eat will be according to what I am used to and she can live, wear, and eat the way she desires. My business is not under her jurisdiction. So be it!"

After that, Mao and Jiang took their meals separately. Even when they were at the same table, they had their own dishes. While Mao never touched any of Jiang's food, she did sample his from time to time.

Dr. Xu Tao often cautioned Mao to pay attention to nutrition, change his eating habits, and have more beneficial foods. Mao shook his head each time.

Once, he tapped a couple grains of rice left in his bowl with his chopsticks and said to the doctor, "It would not be too bad if all the peasants in the country got to eat like me; then you could come to me with your suggestions."

Another time, he frowned at the incessantly nagging doctor and gestured, "Don't speak any more. I am the son of a peasant. Ever since I was little, I have lived the peasant life. I am used to it, don't try to change me. Don't try!"

During a very difficult time, he did not eat meat for seven months nor eat a kernel of grain for more than 20 days. His child was so hungry he stealthily went to beg food from a guard.

No Dreamy Desire for a Mattress—Just a Hard Bedboard

All his life, Mao worried about the people, his mind was always in a state of tense cogitation. He said, "The only time I can put things out of my mind is when I swim, because, if I think about things, I sink."

This kind of tension made it hard for him to sleep. He could not be apart from his sleeping pills. Once asleep, things had to be absolutely quiet; not even a bird could fly overhead. Sometimes, his guards would tie strips of red cloth on a bamboo pole to chase away birds. Once jolted awake, he could not go back to sleep easily.

Mao loved to live in rooms on the east side of the house whether living in the Ju Xiang [Fragrant Chrysanthemum] Study at Zhongnanhai, or when he went away. There were only evergreens at first in the courtyard of the Ju Xiang Study. He ordered away any potted flowers the custodians sent over. The building was old and worn, the custodians planned to renovate, but he looked at the plans and severely criticized them saying, "The country is poor, yet you want to spend money. What could you have been thinking of?"

Mao loved to sleep on a hard bed. During the war years, he slept on a door plank. After the cities were won, he slept in a wooden bed. His bed was about five chi [1-2/3 meters] wide. He left books on one side so that he could read while

lying down. He was fussy about bedding; he disdained eiderdown or camel's hair blankets, preferring cotton. The plainer the color, the more he liked it. Both the inside and outside of the bedding was of white cloth. His pillow was filled with buckwheat skin and wrapped in a white cloth, a towel coverlet patched and patched again...

Books and newspapers were piled everywhere in his library and his bedroom, with no shape or order, yet he seemed to be able to find what he wanted to read easily. If someone were to put some order in the mess according to outside standards, the result would be chaos. He would become annoyed or irritated when he could not find what he wanted, to the point of losing his temper completely.

No "Freedom" of Movement

Mao Zedong loved to board a special train to go and inspect places, to understand society, experience and observe the people so as to form conclusions and formulate policy. He always pondered the big picture, and did not spend his time on details. Whenever the train reached a spacious and desolate area, he would sometimes suddenly order a halt. He liked to get off and inhale the fresh air of the wilds, his breathing could actually be heard. He also wanted to fly more, but the central authorities would not permit it for reasons of his safety. He was piqued, but most of the time had to accede to their decision.

He liked to get in a car and steal off to the suburbs in the dead of night to enjoy the breeze and look at the crops.

He walked at a slow and firm pace, he was wont to think things over while walking. If he walked alone, he walked with a swagger, twisting his hips and shrugging his shoulders, even gesturing or dancing. This was to revive himself after having worked for so long. Even as a little girl, his daughter, Li Na [2621 4780] knew that when her father twisted about when he walking he was not pondering anything important. But when he walked with his hands behind his back, he was thinking about affairs of state.

Mao Zedong would have loved to mingle with the masses and just chew the fat like ordinary people. In actuality, he could not do this. The places he went to were organizationally arranged to ensure his safety. For example, the guards would stop him from seeing guests out of Zhongnanhai. He could not be let out without prior arrangement.

Diplomats Face Restrictions, Low Salaries Overseas

90ON0274A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 289, Jan 90 pp 47-50

[Article by Chih Pin (3069 1627): "Lives of the PRC Overseas Personnel"]

[Text] MING PAO YUE KAN (November 1989) published the article "Foreign Policy Developments on Both Sides of the Strait"; it was mentioned that since the "4 June" incident, at least 80 Chinese diplomats have

sought asylum abroad. This is certainly a direct result of the Tiananmen massacre, but what should not be overlooked is that for a long time Chinese diplomatic personnel have been treated poorly, and their resentment has grown.

Family and Loved Ones Are Restricted

Before the Cultural Revolution, third secretaries and above stationed in Chinese embassies abroad could bring along their wives to their new posts. Cadres who were sent to Hong Kong and Macao were not restricted, except that they had to provide for their families themselves. Even if their rank was very low, they could still bring their wives and children. But after the Cultural Revolution flared up, the new ruling faction sent down orders that, with the exception of people of ambassadorial rank, embassy personnel were all forbidden to bring their families to their posts because of the need to involve their spouses in public movements and activities; cadres stationed in Hong Kong and Macau were subject to the same rule. Furthermore, all party members and cadres who had children in Hong Kong or Macau, whether infants or teenagers, were required to send them home within a prescribed time, and those who disobeyed would be punished.

These "revolutionary" measures were aimed at protecting the children of diplomats from the "corrosive" influence of capitalism and revisionism. But in 1970 Mao Zedong suddenly restored the provision allowing wives to go abroad, in order to avoid hurting the morale of cadres stationed overseas; however, children still had to stay at home to prevent diplomatic personnel from defecting.

Measures to prevent defection were aimed not only at embassy personnel who were already married, but also took into account those who were single. If cadres who had been assigned abroad were unmarried, a party organization would introduce them to prospective marriage partners who were politically reliable; whether this resulted in marriage was not very important, but they did have to sign a marriage contract. As for marrying natives while living abroad, the laws were very strict and even romantic conversation was not allowed; those who disobeyed could be immediately sent home to face punishment for violating regulations. This was to prevent the divulging of secrets by diplomatic personnel, because if the low-paid diplomatic personnel got too deeply involved in the local society, it would be difficult to resist the attractions of materialism.

The Salary Is Unthinkably Paltry

Before the Cultural Revolution, cadres stationed abroad were paid according to their rank in the currency of the country where they were stationed, and in addition there were monthly food and transportation allowances, and rent and medical care were paid for by the government. Counselors and above could report house cleaning as an expense, and ambassadors could draw funds for social

occasions. That money held a lot of temptation, so cadres [in the Foreign Ministry] sought by any means to get themselves "placed abroad."

After the Cultural Revolution, production declined and revenue did not meet expenses, so in order to protect foreign exchange reserves the government ordered changes in the diplomatic compensation system. They no longer paid in foreign currency; instead, they paid in Chinese currency to relatives back home of overseas personnel, and the personnel could get only a small allowance to cover three meals a day, haircuts, and transportation (limited to round trip bus fare between home and office). Those at the bottom got only \$10 per month.

Since 1972, when U.S. President Nixon visited China, compensation of overseas personnel has undergone three changes.

In 1972, after China and the United States established semi-official liaison offices, the Chinese Government came to feel that a monthly salary of \$10 for the diplomatic personnel of a great nuclear power was just too pathetic, so they took this salary and "reconstructed" it into \$20, a 100-percent increase. But it was still ridiculous to expect \$20 to last a whole month, so, in 1973, once again an adjustment was made; the same salary was paid to relatives at home, and on top of that there were four levels of compensation: Ambassadors got \$70 per month, counselors \$56, regular diplomatic officials \$39, and attaches \$35.

In order to bring home some large electronic items tax free, Chinese diplomats seem to be hoarding every precious dollar. Ordinarily, they live simple lifestyles, using only those articles of daily use that they brought with them from China. If worst comes to worst, they still are limited to shopping at "flea markets"¹ or "Salvation Army stores" for cheap things, or even salvaging things from garbage heaps discarded by Americans and repairing them for their own use. That Chinese diplomats rummage through trash in New York City is already old news; it is like Zhou Erfu [0719 5079 1788] making repeated trips to Japan to purchase Chinese aphrodisiacs and rejuvenation medicines to bring back home for Wang Zhen [3769 7201], yet another blow to national dignity.

To save national face, the Ministry of Foreign Affairs in July 1985 implemented the third set of reforms. Under the new compensation system, the at-home pay system was discontinued and 11 levels of compensation were created according to rank. Monthly salary ranged from 464 yuan to 780 yuan, paid directly to the diplomats in U.S. currency at official exchange rates; hence, (at that time exchange rates were \$1 to 2.8 yuan) the salary range was \$165 to \$280. However, out of this money \$50 had to be deducted for board, and half of the total had to be deducted to support the families back home. This left only \$90 to \$190.

The compensation paid to Chinese diplomats at the United Nations is twice as high as that of consular officials: The ambassador gets \$560 per month, counselors \$520, first secretaries \$440, second secretaries \$415, third secretaries \$380, and other personnel \$340. In addition, each individual receives a transportation allowance of \$2 per day, a lunch allowance of \$6 per day, night-shift allowance of \$4, and holiday overtime pay of \$11; interpreters receive \$80 per day in travel expenses.

The United Nations pays its employees as follows: interpreters get \$2,500 per month, written translators \$2,300, and typists \$1,800, all tax free. The employees whom China sends to the United Nations must turn over their paychecks to their department before they can cash them; the department keeps any money in excess of the salaries described previously. They also have to surrender benefits such as health insurance allowances and educational allowances to the department, because Chinese employees can not bring their children with them.

Some people say that the employees whom China sends to the United Nations are like public works laborers in rural areas. The latter enter town to work; work points are reported to the brigade, and every day they also get a few cents allowance. In recent years the rural economic system has been reformed; their income is fixed and any extra income goes to the state. Hence, Chinese officials at the United Nations are nothing more than public works laborers in suits and leather shoes! Currently, students studying abroad can support themselves by working in restaurants and, if they live frugally, they can make upward of \$1,500 per month, which is five months' salary for the Chinese ambassador to the United States. In addition, the ambassador's wife is not free to bear children; living overseas does not exempt her from the dark shadow of no child birth. As soon as she becomes pregnant, she must return home.

An exceptional case is Tang Mingzhao [0781 2494 3564] who, as China's recommended candidate, obtained the post of UN under secretary general. Prior to the establishment of the Chinese Communist government, he was in places like New York and San Francisco as part of the Chinese Communist intelligence system. This network extended into Montreal, Canada, so this Tang Mingzhao was recognized by Mao Zedong, and his salary far exceeds that of the class of diplomats who had "grown up under the Red Flag." Each time he returns to Beijing to report, he wears English wool suits, smokes Cuban cigars, and has no fear whatsoever that others will say he has been corrupted by the "bourgeois lifestyle." His daughter Tang Wensheng [0781 5113 3932] was a translator for Mao Zedong for many years and only after the gang of four was toppled did she retire.

The salary of American diplomatic officials at the first-secretary level is currently \$4,600 per month; they can bring their families with them, and they get a Western home and two cars. The comparable salary for Chinese diplomats is \$200. Previously, when diplomats returned home to visit relatives each year, they could bring four

electronic products in tax free, but this limit was reduced to two in September 1989. With this kind of paltry compensation and benefits, people nonetheless fight for these positions because they are far from central authorities and the pay is relatively good.

Low Pay Breeds Corruption

There are two major kinds of corruption among diplomats; the first is the false reporting of social expenses. The Communists want to compete with the Kuomintang [KMT] for territory abroad, and there is a constant need to wine and dine guests and to give gifts. It is sometimes difficult to produce receipts for the expenses of this united front, so it is hard to determine just how much money has been spent. The second kind of corruption is that of taking commissions; most organizations that furnish their offices abroad and purchase office supplies can skim 20-30 percent. Chinese economic officials like to do business with Overseas Chinese businessmen because these overseas compatriots know best how to take care of their needs; not only do they wine and dine them right and left, but they take care of them both before and after signing the contract.

There are many greedy officials, and occasionally some of them are caught in "classic style." For instance, a foreign trade cadre stationed in Macau, after receiving some money under the table, went out every night in the middle of the night to the Pujing Hotel to gamble. He furthermore rented a room upstairs from the casino where he kept a call girl. When he went to work, he often yawned loudly, and he told people that he was tired because he went out mountain climbing every morning. Eventually the affair came to light and he was arrested by Chinese security personnel and sent back to China. In another case, a trade cadre who was seriously ill had been sent back to Beijing to receive medical treatment; when the party committee on overseas affairs sent someone to tidy his bed, they discovered a large sum of foreign currency hidden in the pillow and mattress. He did not dare trust his painstakingly earned money to a bank.

In the past 10 years, there have been many reports of visitors to Hong Kong bringing with them from China famous paintings and works of calligraphy who were caught and severely punished or fined. On the surface, Chinese customs officials strictly control the transportation of cultural artifacts and antiques out of the country; it is forbidden for individuals to bring pre-Qing dynasty porcelain or the works of more than 200 painters out of the country. Those government departments that control objects of art approve very few for export, but quite a few old art objects, with a value of more than \$10 million, have "special release approval"; furthermore, the greater the value of an antique, the less the need to be approved by the government. Recently, a priceless set of Ming dynasty furniture was classified as a "special permit item." Even more amazing was a big smuggling operation that used military planes and chartered flights; this was the entrepreneurial work of some Beijing officials and diplomatic personnel living abroad.

Strict Supervision Is Used To Prevent Defection

After the 4 June incident, defectors from Chinese diplomatic ranks included consuls and first secretaries, but up to the present there has not yet been a defection by a current ambassador. One reason is that ambassador-level officials are desirable positions; though their pay is low, they can report all their expenses honestly. If they are relieved of their duties while abroad, they fear that they will never again achieve such an exalted rank. The second reason is that the children of incumbent ambassadors enjoy special privileges back home in China; they have money and power, and, if an ambassador were to defect, these things would be gone. Breaking the law is not worth the harm to their children and the loss of privileges and power. Third, ambassadors stationed abroad all have political connections; for example, the former charge d'affaires to India was recommended for the post by his regional compatriot, Ye Jianying. This kind of geographical loyalty has much control over people, even more so than the binding power of party organizations.

However, the financial condition of most diplomatic personnel stationed abroad is nothing to boast about. Chinese living quarters abroad are strictly guarded. The main gates have two guard stations; the first is called the "receiving and exiting center." There are also guards at the rear exit. Ever since Guo Delu [6753 1795 4389], the cook for the Chinese charge d'affaires office in England escaped to freedom, the back doors of Chinese installations abroad have not only had guard stations installed, but also an increased police complement.

When applying for political asylum to the British Home Office, Guo Delu stated that he had to work 16 hours a day. His job was to cook for 19 diplomats and employees and 11 family members, and he had to attend political classes two hours a day. Holidays were no different. No one at the consulate could go into town alone; and if he wished to see a movie, a report had to be submitted to his superiors for inspection to ensure that there would be no "political poison," and only then would permission be granted. If he wanted to buy a pair of socks, he needed three people to accompany him. As the cook, every Tuesday and Saturday he had to go into town to buy vegetables, but the office always sent someone along to "keep him company." Guo Delu said that his six years at the charge d'affaires office in England was like being in prison, and that China itself was one big prison. He wanted to leave, along with his wife and son, and not return to that prison.

Guo Delu voiced the feelings of Chinese diplomats stationed abroad, and even more of lower-rung people are awaiting their opportunity to escape, because this kind of prison control system exists to this day.

Presently, when cadres stationed abroad want to go out, they still need to be accompanied by at least two people and must stay within two meters of them. Such cadres

are not permitted to mail letters at local post offices, and they are also not permitted to rent post office boxes locally; all the mail coming and going must be inspected by Ministry of Foreign Affairs officials at the rank of group [tuan 0957] or above. Mail sent out is not sealed, to help party organizations to inspect it more easily. Because of this, a couple who are living in different places dare not express their feelings too earnestly in their letters in order to avoid becoming objects of amusement for the embassy security personnel.

Personnel living abroad go out every Saturday in groups to visit shopping centers, but while it is a feast for the eyes, they cannot purchase most of the things they see, because they all are scrimping and saving to purchase electronics to take home to China.

Party organizations hold meetings on lifestyles every week to investigate the thinking, behavior, and attitude of each employee; twice weekly meetings on working have similar purposes. The moment they discover that someone's behavior is agitated and unstable, the party organization would "rather be accused for overpursuing the matter" and handle it decisively. Normally they use injected drugs to sedate the person, using the excuse that they are treating an illness, and then send him back to China. In recent years there have been reports of suicides among Chinese diplomatic personnel living abroad; these are people who have violated rules and seek to extricate themselves without suffering insult.

Isn't there Sex Around the Corner?

In this kind of strict atmosphere of control, diplomats' spare time is quite boring. Normally, every organization abroad sets up movie projection equipment and screens to show political education films, but this is not the same as entertainment. Naturally, particular leadership cadres can enjoy pornographic tapes to their heart's content; they have special code names for them such as "Criticism" and "Work Reference."

The Chinese organizations stationed abroad are segregated from the outside world, so that within the surrounding walls sexual antics that leak out are not rare. From the ambassador and counselor to the three levels of secretary, no one is lacking in examples of "sexual escapades." In 1984, a counselor stationed in the embassy in Australia had an affair with the wife of a second secretary, and the injured party, in a fit of rage, raped the counselor's wife. The case was brought before the Ministry of Foreign Affairs and was dealt with in accordance with "Contradictions Among the People"; in the end the affair was left unsettled. The higher ups figured that as long as these activities took place among their own kind and not among foreigners, no political problems would come of it, so there was no need to make such a big deal over it.

Footnote

1. Editor's note: a market that sells used or surplus merchandise is called a "flea market."

NATIONAL AFFAIRS, POLICY

Current Economic Situation Assessed

90OH0331A Beijing JINGJI RIBAO in Chinese
6 Jan 90 p 2

[Article by Cao Zhihu (2580 0037 5706): "My View of the Current Economic Situation"]

[Text] Any assessment of the current economic situation is first and foremost tied to the guiding policy and objectives behind our economic affairs. Since the latter half of 1984, China's economy, led by the demands of investment and consumption, has gradually been embroiled in an overheated situation marked by the classic feature of structural imbalance. In this situation, although adjustments have been made several times, the course of various events has had the opposite effect of provoking even greater fluctuations and sustaining inflation. Thus, to stabilize the economy and restrain inflation, beginning in October 1988, the central authorities adopted a series of policy measures, persevered in improving the economic environment and rectifying the economic order, and attained obvious results.

If we consider economic cooling and control over inflation as signs that China's economy is moving toward healthy development, then the current funding shortage and market slump, as well as the resulting series of difficulties, can be viewed as the necessary costs of improving the economic environment and rectifying our economic order.

Where Are These Problems We Face?

Faced with this grim situation—a market slump, a funding shortage, and economic slippage—many people feel that since the current economic contraction is caused by our policies, and, we are capable of controlling the economic situation, why not relax the money market, switch on the market, and stimulate growth? In other words, exactly where is the conflict we face?

Deep-level scrutiny of macroeconomic movements and microeconomic mechanisms reveals that our current economic problems have been a long time in the making, and that we actually face two pairs of apparently mutually contradictory and adverse problems.

The first problem is the contradiction between a buyer's market phenomenon and a seller's market format.

The drop in sales, growing stockpiles, price declines following price rises, and agitation for sales promotions and markdown sales that are appearing in the market at this time are in fact characteristic of a buyer's market. As to this, it seems that right now what is important to commodities is price competition. As for state-controlled durable major consumer goods (such as color televisions), only price reductions can attract buyers. However, just as in the past few years we have seen that buying frenzies involve a great deal of false demand, our current market slump and some commodity overstocks

similarly reflect false declines in purchasing power. Whether we look at it in whole or in part, the market confronting us is still essentially a seller's format.

First, in terms of gross volume, there is a gap between China's population and extant surplus purchasing power on the one hand, and the gross volume of commodities she can supply per year on the other hand. Moreover, this gap is constantly increasing. Right now savings among Chinese residents are equal to eight to nine months of retail turnover in 1989. In the short term, and in terms of gross volume, we cannot significantly change the pressure this demand for payment capacity places on the market. In terms of composition in the Chinese standard of living, food, clothing, and fuel have been steadily improving for several years. There has been a great deal of change in the composition of commodities for daily use. For color televisions, which play a leading role in market sales, the average dissemination rate nationwide (the number of TVs owned per hundred households) in 1988 was less than three percent in the countryside and less than 30 percent in the cities. Even in Shanghai the average dissemination rate was only 54 percent in the city proper and 12 percent in the suburbs. This demonstrates that right now there is indeed no surplus of unmarketable color televisions: purchaser demand and buying power still exist. Finally, analyzed from the perspective of development trends, our inadequate gross volume and structural conflicts are constantly worsening, the purchasing lust that is prominently manifested in social consumption is growing faster than production, and the extent to which commodities guarantee renminbi is declining. We can infer that as production continues to slide, the rapid variable—consumption—will increase even faster, and the slow variable—the production and supply of commodities—will stagnate further.

Just as people believe that the production boom that followed retrenchment in 1986 was a false impression created by inadequate intermediate demand, the current situation in China's economic setup is primarily a stage reflecting retrenchment policies, and in essence supplies are still short. This supply shortfall is mainly manifested in three ways: First, there are shortages in the production and supply of agricultural goods. Although China's grain output has now reached 800 billion jin, there are only 700-plus jin per capita, and any increase this year can at most only alleviate the shortage: it cannot alter the wide gap between supply and demand. The supply of agricultural goods not only directly determines the state of the commodity market overall, it also restricts industrial production based on agricultural raw materials. Second, basic industries are stagnating and there are product shortages. For many years now basic industries have been unable to stand up under heavy pressure from rapidly developing processing industries. The overall shortage of energy, communications, and raw materials has become a chronic malady of economic development. Since 1989, although supplies of coal, nonferrous metals, caustic soda, and cement have all increased to one degree

or another (five to eight percent), the corresponding processing industries have grown more considerably. What we must realize is that, because it is affected by natural resources and the investment climate, the growth of basic (industrial) products is a slow variable, whereas the growth of processing industries is a fast variable. We need only relax our retrenchment effort, and our enormous processing capacity, which has been lying constrained and fallow, will leap forward again. Therefore, from the perspective both of relatively current industrial demand and of demand arising from Chinese development, basic industries and the inadequate supply of basic industrial products still constitute the main impediment restricting stable economic growth. Third, as analyzed above, the gross output of social commodities is gravely inadequate relative to current Chinese social and individual consumption. Overall, what these phenomena reflect is constantly worsening inflation.

On the surface we have buyer's market, but in essence it is a seller's market; to all appearances there is a shortage of demand, but in reality there is a shortage of supplies. These facts confront us with two difficult choices. If there is a shortage of demand and the appropriate response is to stimulate demand and attract consumption. This means we must abandon our retrenchment policy and put more relaxed finance and banking measures into place, such as expanding credit, lowering interest, forcing down prices, and opening up the market. But in the above analysis, as in the economic fluctuations that occurred between 1984 and 1986, in essence what we have is a seller's market and a shortage of supplies. Under these circumstances, if we relaxed after retrenchment the tremendous capacity of the economy to bounce back would cause uncontrollable, runaway economic growth, and waves of consumption would surge out of the valleys toward the peaks. Because the growth of supply necessarily lags behind the growth of demand, inflation would soar to new heights, panic purchasing would occur repeatedly in the marketplace, and there would be fear of new shortages of raw materials, energy, and communications. In short, this is a dangerous road.

Conversely, if we consider the seller's market and inadequate supplies to be the essential characteristics of China's economy, and on that basis continue to implement strict retrenchment policies, we must contend with a falling growth rate and the distress of sliding economic efficiency, a market slump, and weak gains in supplies. Moreover, we will also risk a further or greater economic downturn. China's financial revenues come in large part from circulation taxes on industrial output value and commercial sales, and a declining industrial output rate or a drop in commercial sales will directly reduce state revenues. Simultaneously, a breakdown in the chain of economic movement toward the endpoint of market consumption will not only increase the amount of funding tied up, raise costs, and push efficiency into a further decline, it will also usher in a series of social problems such as enterprise shutdowns and closings, and increased unemployment. Consequently, regardless of

whether we view the situation from a national or a local standpoint, a super-cooled market and excessively slow growth rate is a phenomenon just as abnormal—and just as undesirable—as an overheated economy and rapid market growth.

Can We Extricate Ourselves From This Predicament?

The grave situation we are now facing is the overall, long-developing result of the various contradictions formed in the past 10 years of economic development and economic reform. It indicates that China's economic development and reform are caught up in a new period of transition. We face new choices, and in a certain sense, whether we can extricate ourselves from this predicament will be determined to a large extent on the degree to which we understand our current problems and their causes.

Now, many people have already figured out that the current market slump is mostly just a phase of administrative reorganization, caused especially by a change of heart on the part of Chinese consumers. Analyzed on a deeper level, the root cause of these conflicts in market and economic growth lies in structural imbalances and organizational defects in China's economic orbit.

If we analyze the market situation, in the past few years what we have directly experienced has been a concentration of buying power. The direction has been consistent: the average consumption level and market composition have both contributed to this pattern of wave-like buying mania. To tell the truth, the composition of consumer demand that has been building at the same time is the result of our income distribution system, which has yet to be fundamentally revamped. Its institutional defects are specifically demonstrated in four ways: First, employment, medical, and other comprehensive types of insurance have made people less afraid to use their income, and the income that previously was reserved for periods of unemployment, for retirement, or for medical and health care is being spent for current needs now. This magnifies current purchasing power and advances the time frame for consumption. Second, housing, education, and other welfare compensation have removed these channels for income expenditure, as a result narrowing the range of things people spend money on. This has concentrated consumption on the limited quantities of consumer goods and put enormous pressure on the market. Third, because there is no investment mechanism, there is only a single avenue of income and expenditure. Currency in circulation is either held in the hand or deposited in the bank, both of which produce surplus purchasing power and pose a potential threat to the market. Finally, the egalitarian distribution system and the nonegalitarian income system coexist. This has made buying more egalitarian and established a trend toward conformity in consumption patterns, as well as stimulating a mentality of competitive consumption. This has resulted in a peculiar phenomenon: "when people buy, prices rise, and when people do not buy, prices fall," and when the market is overheated everyone

rushes to buy, whereas when there is a market slump, everyone hangs on to their money.

The consumption, demand, and market composition determined by an abnormal buying and distribution structure inevitably misdirects the product mix and industry composition, and even the entire economic structure. If the overall economic system lacks effective mechanisms for regulating macroeconomic control and microeconomic self-organization, it may become unbalanced. This is the major reason that, within the current macroeconomic orbit, insufficient demand and insufficient supply coexist.

The purpose for probing the root causes of today's economic problems is to seek a strategy for extricating us from this predicament. The decision of the 5th Plenary Session of the 13th CPC Central Committee on improving the economic environment, rectifying the economic order, and intensifying reform both correctly analyzed the current economic situation and identified the direction and drafted measures for bringing our difficulties under control. Consequently, we should integrate these three processes—improving the economic environment, rectifying the economic order, and intensifying reform. In improving the economic environment and rectifying the economic order, we should adroitly guide our actions according to circumstances, redress our past mistakes, consolidate and develop the positive results of reform. The primary strategy should be as follows: First, persist in our policy of retrenchment and adjust the product mix as quickly as possible. Second, improve our system of macroeconomic regulation and control and strengthen enterprise management. Third, intensify reform in the distribution system and achieve balanced consumption at the appropriate time.

Editorial Stresses Enhanced State Planning

90OH0275A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese
No 51, 18 Dec 89 p 3

[Article by Wei Lich'un (7614 4409 5028) and Sung Shukuang (1345 2562 0342): "The Importance of State Planning Must Be Enhanced"]

[Text] Leading Central Committee comrades have recently pointed out repeatedly the need to emphasize the importance of state planning. This is both an objective requirement for continuing to do a good job of improving the economic environment, rectifying the economic order, and deepening reforms, and also a significant way to ensure that the current economic difficulties will be overcome and that sustained, steady, and coordinated growth of the national economy will be achieved.

The socialist economy of the PRC is a planned commodity economy that is based on public ownership. This is a basic conclusion that was reached by summing up decades of rich practice and experience. In order to ensure that our socialist commodity economy develops

healthily, it will be necessary to both enhance the guidance and control of state planning over the whole national economy, while paying attention at the same time to bringing into full play the positive impact of market forces and observing the principle of combining economic planning with market regulation. This means that we must correctly understand and handle the relationship between economic planning and market regulation.

Although the planning system that was established according to national conditions in the early days of the PRC played a significant and positive role in helping the state to focus its financial, material, and other resources on building socialism, it created economic impotency and inefficiency because it overemphasized planning and centralization, ignored the requirements of commodity production and the laws of value, and rejected the role of market regulation. The drawbacks of this planning system became increasingly evident as the economy expanded in size and developed more complex relations. If this overcentralized planning system had not been reformed, it would certainly have impeded the sustained and healthy growth of the national economy.

Although we took a series of gradual steps in the past decade to reform our original planning system, paid attention to bringing the impact of market forces into full play along with practicing planned guidance, and produced remarkable results in areas, such as speeding up the growth of the national economy, promoting market prosperity, and bettering people's living conditions, quite widespread and serious phenomena, such as neglecting state planning, the erroneous tendency to overemphasize market forces, and violating state planning, also appeared in the reform process. Even though the annual state plans that have been drawn up in recent years have been by and large realistic and the planning objectives of macroeconomic regulation and control have also been quite appropriate, large discrepancies have often occurred in their practical application. Some areas and enterprises have been unable to fulfil their state-assigned production plans for key products, which has made it hard to accomplish the planned tasks of centralized distribution of materials and allocation of commodities. While it has been impossible for the state to ensure implementation of its key construction and investment plans, all kinds of investments of privately-raised funds have been exceeding their control quotas year after year, and payrolls and bonuses issued to staff members and workers have also been out of control. Not only have these things diluted the importance of state planning, but they have also created economic and social chaos. Although distinct improvements have been made in the national economy in the past year or so through improving the economic environment and rectifying the economic order, formidable tasks still lie ahead. Deep layers of problems that have accumulated for many years have still not been basically resolved, nor have unstable economic factors been eliminated yet. In order to extricate ourselves from our economic predicament as

quickly as possible and gradually put our national economy into a healthy cycle, it will be necessary to observe the principle of combining economic planning with market regulation, suitably revise and improve our planning system, and correctly gauge the scope, extent, and means of combining economic planning with market regulation. At the same time, special emphasis must be given to the importance of state planning.

In order to enhance the importance of state planning, it will first be necessary to strengthen its enforcement. State planning is the major basis for macroeconomic regulation and control, and also a code of conduct for guiding and harmonizing the economic activities of all parties. Once state plans are determined and in the process of being carried out, all departments, such as all relevant State Council comprehensive economic departments and those in charge of production and construction, as well as finance, banking, taxation, and pricing, must act in close coordination according to their provisions. Local governments at all levels must also uphold the unity of state planning. No departments, localities, or individuals may change state-planned tasks or do what they think is right without authorization. Actions that make it hard to fulfil certain parts of state plans, such as disregarding or even violating their provisions, must be resolutely changed.

The necessity of ensuring the successful fulfillment of directive state plans is another key aspect in enhancing the importance of state planning. Directive plans are a form of mandatory planned management that is administratively and legally binding. Carrying out directive plans is an important way to ensure fulfillment of key state production and construction and satisfaction of people's basic livelihood needs. Although it has been necessary in the recent years of reform to greatly reduce the scope and proportion of directive plans, it is still necessary to retain some directive plans by preserving their importance, all the way from formulating, assigning, and enforcing them to checking and supervising them. Localities and enterprises that are responsible for directive state plans in particular, should regard fulfilling them as their chief responsibility and number one job. Of course, when formulating and assigning directive tasks, the state should give full consideration to market supply and demand fluctuations, respect the laws of value, pay attention to the use of economic regulation measures, give consideration to the economic interests of both localities and enterprises, and strive to do a good job of balancing and dovetailing key production factors, in order to contribute to their fulfillment.

It is also necessary to correctly handle the relationship between local and general interests in order to enhance and defend the importance of state planning. State-planned tasks reflect the general interests of the national economy. The state's overall interests must absolutely not be allowed to be infringed upon by those who pursue departmental, local, or enterprise interests. Local, collective, and individual interests have been emphasized more than general or state interests in recent years. This

is another key reason why it has been hard to carry out state plans smoothly. In order to enhance the importance of planning and centralize it appropriately during the current campaign to improve the economic environment and rectify the economic order, it will be necessary to emphasize that local, collective, and individual interests must be subordinated to general and state interests. Local prosperity cannot be sustained without overall economic stability. Since local, collective, and individual interests will ultimately suffer if state interests are infringed upon, the importance of state planning must be firmly upheld in order to keep them subordinated to overall state interests.

Placing emphasis on defending the importance of state planning certainly does not mean, of course, that we want to return to the past highly-centralized and over-unified planning system, but rather that we want to enhance the guidance and management roles of centralized state planning. Premised on this, we will continue to bring the positive impact of market forces into full play. Only by correctly combining economic planning with market regulation can we ensure that the national economy will grow in a planned, proportionate, and healthy way.

Establishing Socialist Investment Management System

90OH0288A Beijing JINRONG SHIBAO in Chinese
2 Jan 90p 3

[Article by Zhou Daojiong (0719 6670 3518): "Establishing a Socialist Investment Management System With Chinese Characteristics"]

[Text] Through a complex process, New China's fixed assets management system of more than 30 years has made major achievements and accumulated valuable experience, both positive and negative. Before the Third Plenary Session of the 11th Party Central Committee two different investment management systems were implemented depending on the economic management system of the times. One was a centralized system which was implemented during the period of national economic recovery, the period of the First 5-Year Plan, and during the economic reorganization of the sixties. The other method was the decentralized system under unified central leadership which was implemented during the "Great Leap Forward" and the "Great Cultural Revolution." These two systems played a positive role in the history of China's economic construction. However, due to the influence of "leftist" guiding thinking, the above-mentioned systems of authority did not secure the anticipated results.

The common features of the above-mentioned two systems are that they manage investment by administrative methods and use capital without compensation, with a particular emphasis on command control. And where a commodity economy is inadequately developed and economic relations are not very complex, it is better to implement a state investment policy, making consistent

the investment policies and the economic development goals ascertained by the government. After the Third Plenary Session of the 11th CPC Central Committee, the state vigorously launched a socialist commodity economy and the competitive system was drawn into enterprise management. Under these conditions, the position of the enterprise as an independent commodity producer became increasingly more prominent and the defects of continuing to manage investment by administrative methods were exposed clearly: One is that since the government was not constrained directly by the relationship of economic profit and loss decisionmaking, it did not bear any risk nor any responsibility for spending money; the phenomenon of investment eating "from one big pot" was rather clear—it was difficult to accelerate increases in investment benefits. Second is that the central and the local governments went around in circles in centralizing and decentralizing. As a result, they could not effectively establish an economic mechanism whereby enterprises could exercise autonomous investment and economic development. Nor could it entertain such questions as accurately establishing the main body of enterprise investments. In the process of reforming the economic system, changing the defects inherent in the old management system was in finding a new investment management model, i.e., a center-local area-enterprise decentralized system under unified planning. Beginning in the late seventies, while expanding local flexible financing and increasing local investment rights, corresponding reforms were also carried out in the state-owned financial distribution system: enterprise reserve profits and depreciation capital was increased annually and compensated use of enterprise allocated capital was implemented. Corresponding to this, the state also granted enterprises certain investment decision-making authority, forming a pattern of parallel investment decisionmaking involving the center, the local area, and the enterprise.

In implementing these reforms making enterprise investment begin to gain recognition was a very great advance. The direction was correct and the reform was also effective. However, after ceding authority, state macroeconomic regulation and control methods were not sound and the problems of overdistribution of national income and inflation in the scale of investment became prominent. In the early eighties, after the large-scaled increase of investment in 1980, an investment peak appeared in 1984-1985. In addition, such factors as shortage of information created an imbalance in the distribution of production capacity. Reckless construction and duplicate construction in manufacturing and nonproduction construction were prominent, and the weak links in the national economy—energy, transportation, raw materials, postal, and telegraphic communications—became weaker. At the same time, although there were improvements in enterprise investment behavior, the position of the enterprise as the primary investor and the economic conditions had not yet been finally established, which remained an impact on enterprise self-development and self-accumulation. These

conditions show that we are still looking for a sound investment management system.

The goals of reforming and improving the investment management system are: one, to control the total amount of society's investment and the investment direction to ensure that the decisionmaking of each investment unit conforms to the direction of the state's macroeconomic development; two, the position which is ultimately established for the enterprise investment unit gives the investment unit great flexibility and autonomy. With these preconditions, the fundamental demands of a sound investment management system are:

First, in investment decisionmaking, change the government's single-layer decisionmaking into a multilevel decisionmaking of the government and the enterprise. The government engages primarily in overall balance of social finance and materiel, rationally arranging the ratio of saving and consumption and, on the basis of the overall balance, determines the scale of national investment, investment make-up, and investment distribution and carries out strategic decisionmaking. Concerning decisionmaking on specific projects, apart from government investment (both by the center and the local areas), in principle, decisionmaking on investment belonging to the enterprise should be handed over to the enterprise to decide on projects and bear the risks themselves. Allowing that the state does not intervene directly in enterprise investment decisionmaking, it should effectively use economic levers, including pricing, taxes, credit, interest rates and subsidies, as well as adopting such methods as controlling the decision-making environment, stipulating the decision-making procedures, drafting investment laws and checking and approving investment quotas to effect indirect management. Government investment is primarily used for state key construction and necessary nonproduction construction.

Second, in macroeconomic management of investment use we should establish an indirect control system whose basic method is financial policy and banking policy. In carrying out macro-control of investment, public finance restricts the distribution of various benefits of social reproduction, changes in financial policy lead directly to changes in the main source of funds for enterprise investment and lead to changes in investment make-up. For example, reorganizing tax policy, discount policy, and policy on distribution of depreciation capital not only can lead to changes in the sources of enterprise capital, but also are bound to indicate the direction of the use of social capital. This provides forceful methods of controlling investment scale and reorganizing the investment structure. At a certain period, the state implements an expansive monetary policy on the basis of demand. For example, lowering the interest rate and expanding the scale of credit, the central bank correspondingly increases the supply of social capital and increases investment sources; conversely, when the key targets of currency policy are stabilizing currency and tightening up on credit, the central bank can adopt such methods as increasing interest rates and withdrawing

currency from circulation in order to restrict demand for capital, reducing the supply of currency, causing the scale of investment to contract. Concurrently, the direction of bank loan supply leads directly to structural changes in investment.

Formulating scientific industrial policy and industrial development plans so that financial policy and currency policy will regulate and guide the use of capital more effectively is very necessary work. Industrial policy is primarily to resolve such major issues in the industrial development process as science and technology development policy, technological equipment policy, industrial structure and commodity structure and industrial scale economy and enterprise structure policy. Industrial planning is the development strategy which guides industry overall and it is formulated on the basis of industrial policy, guiding the microeconomy primarily by directing industrial development in terms of quantity and direction in the macro-view.

Third, establish and improve the self-regulatory mechanism of enterprise investment demand in microeconomic management of investment. The state not only grants enterprises investment decision-making authority, but also should make enterprises really bear economic responsibility for investment activity and enjoy the corresponding economic benefits. At the same time, we should reorganize a series of policies which are beneficial for promoting building enterprise self-regulatory investment demand. Through reform of the pricing system we should make the market signals which enterprises obtain fit the demands of macroeconomic development; implement the necessary subsidy policies and resolve the contradiction that enterprise microeconomic results and macroeconomic results are not uniform; implement post-tax repayment, promote cautious enterprise decisionmaking, prioritize projects, improve management, improve results, and so on.

Fourth, establish a stable state source of capital and improve the economic responsibility system of investment in management of government investment. In 1988, a state capital construction funding system to ensure the effective turnaround use of government key construction capital and resolve the long-term contradiction of the dislocation of state investment responsibility, authority and profit went into effect. In the state budget, investment is capital construction funds managed by the Chinese People's Construction Bank and at the same time certain specialized investment companies responsible for their own profit and loss were established. This is a reform experiment in investment management. Implementing this reform demands the appropriate handling of the relationship between finance and banks, banks and investment companies, and investment companies and enterprises and there should also be a series of comprehensive measures and which are constantly improved in practice.

We firmly believe that with the comprehensive development of the reform of the economic and political systems a

socialist investment management system with Chinese characteristics is bound to gradually be established and perfected.

Serious Economic Crime Cases Increase 40 Percent in 1989

*OW2802054890 Beijing XINHUA in English
0728 GMT 24 Feb 90*

[Text] Beijing, February 24 (XINHUA)—A total of 850,000 economic cases in various categories were investigated and dealt with throughout China last year.

The figure was released at a recent national conference convened by the State Administration for Industry and Commerce.

Though the figure is lower than that of the previous year, said Liu Minxue, director of the administration, the number of serious cases reached 90,000—about 40 percent higher than that in the previous year.

A total of 1.14 billion yuan was recovered by the state through fines and confiscation last year, 71 percent more than in the year before.

The whole campaign was especially concentrated on 778 major cases, said Liu. Many of those were speculation cases, and 79 cases involved over one million yuan each in illegal profits. Among the 778 major cases, 636 involved state or collectively owned enterprises, making up 81 percent of the total.

PROVINCIAL

Hubei Claims Advances in Economic Restructuring

*90OH0383A Wuhan HUBEI RIBAO in Chinese
15 Jan 90 p 1*

[Article by Special Correspondent Wu Ruliang (0124 1172 5328): "Province Makes Marked Advances in Improving the Economic Environment and Restructuring the Economic Order During 1989; Good Fulfillment of Principal Plan Norms"]

[Text] The correspondent learned the following from a provincewide planning conference convened on 12 January: Thanks to the joint efforts of the people throughout the province, the province made marked advances during 1989 in improving the economic environment and restructuring the economic order, and in the deepening of reform. The overheating of the economy that went on for several years in a row has now abated. Effective supply has increased fairly rapidly; investment demand has been restrained; the scale of bank credit and the issuance of currency have been brought under effective control; retail prices rises have receded month by month; and the overall situation in implementing national economic and social development plans is good. This demonstrates that the series of actions that the CPC Central Committee and the State Council took centering

around control of demand and readjustment of the industrial structure have played a positive role.

Agricultural production has revived fairly rapidly. Except for cotton, a fairly good output of major agricultural products was harvested. The provincial CPC committee and the provincial government took a series of actions to strengthen agriculture that gave vigorous impetus to agricultural production for realization of the goal of "recovery during the year from disasters occurring during the year." The gross output value of the province's agriculture is forecast at 5.6 percent more than in 1988 for fulfillment of annual plan. Gross output of grain for the province is expected to be 23.7 million tons, up 5.2 percent from 1988 for an all-time high. A bumper harvest of oil-bearing crops is in view, gross output expected to increase 18.3 percent over 1988. Estimates are that two percent more hogs were removed from inventory as of the end of the year than in 1988, and output of aquatic products is expected to be 5.1 percent higher than in 1988 in fulfillment of annual plans for both.

Despite the ongoing readjustment of township and town enterprises, a certain speed of increase was still maintained. Forecasts call for a township and town enterprise gross output value 13.8 percent higher than in 1988, including a 13.6 percent rise in township and town industrial output value.

The overly high speed of industrial growth has abated. Preliminary estimates show a gross output value for industry provincewide, including industry in villages and below the village level, of 74 billion yuan, up six percent from 1988 in 101 percent fulfillment of post-readjustment annual plan. Output of major industrial products shows steady growth in energy output, and a rallying in the output of major raw and processed materials, raw coal, crude oil, electric power generation, steel, processed steel, pig iron, coking coal, phosphate rock, and iron sulfide ore, all of which fulfilled annual plan. Production of industrial products to support agriculture continued to climb, output of synthetic ammonia, chemical fertilizer, and agricultural pesticides substantially fulfilling annual plan. Output of light industrial products having a close bearing on the life of the people such as sugar, salt, washing powder, and matches increased steadily.

The scale of investment in fixed assets was curtailed, and key construction was increased. During the period January through November 1989, investment in fixed assets provincewide totaled 4.57 billion yuan, 1.92 billion yuan less than in 1988 in a 29.6 percent decline. This included a local government investment of 2.91 billion yuan for a 36.8 percent decline. Included in investment by the whole people was a 2.907 billion yuan investment in capital construction, down 26.8 percent, and a 1.66 billion yuan investment in improvements and technical transformation, down 31.4 percent. Simultaneous with curtailment of the scale of investment in fixed assets was local government emphasis on maintenance of a number of key projects. In the agricultural realm was the Xibeikou Reservoir, the Tao He Reservoir, the Jiangnan Plain and the Northern Hubei Hills

Comprehensive Agricultural Development Base, and all sorts of commodity bases for well-known, special, and premium agricultural products. In the industry and transportation realm was the Qing Jiang-Geheyan Hydroelectric Power Station, the Hanchuan Power Plant, the Puqi Paper Mill, and the Wuhuang Highway. In the area of science education were four universities and provincial science education halls. It is estimated that local investment in social fixed assets throughout the province dropped 30 percent from 1988.

City and countryside markets in all jurisdictions throughout the province were generally relatively stable, the supply of nonstaple foods, notably vegetables, meat, and eggs being better than in 1988. A 6.7 percent increase over 1989 in the availability of commodities for retail sale is estimated. Between January and November 1989, retail prices in the province increased 18.6 percent over the same period in 1988, the rate of price rises declining from 23.6 percent in January to 9.4 percent in November. In some cases, new price increases during 1990 declined markedly, and supplies of nonstaple foods and industrial wares used in daily life that are closely related to the daily lives of the public were fairly good.

The credit and currency situation took a turn for the better, and savings accounts of both city and countryside residents increased fairly rapidly. New advances were made in the use of foreign capital, foreign trade exports fulfilling readjusted plans. The province used an estimated \$88 million in foreign capital in 106.7 percent fulfillment of annual plan. A five percent decline in fulfillment of readjusted foreign trade export plan is anticipated for the province.

Definite achievements were made during 1989 in the province's work of improving the economic environment and restructuring the economic order; however, some deep-going problems impairing economic stability have not been fundamentally solved, and some new problems cropped up in the course of solving existing problems. The primary problems are as follows: consecutive year decline in cotton output; inconsistent industrial production, with a too rapid drop in the speed of growth, some enterprises facing a difficult situation of products accumulating in inventory, a slump in market sales, and a lack of ability to respond to emergencies. Although no small amount of funds has been invested; a substantial amount of these funds are tied up in finished goods, were used up in final accountings, and were expended for things that brought low returns.

Jiangxi Establishes Rural Social Security Network

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1446 GMT 17 Mar 90*

[Text] Nanchang, March 17 (XINHUA)—Jiangxi Province has set up a rural social security network, according to the provincial authorities.

The provincial civil affairs department reported that 50 percent of the 1,800 townships and towns in the province

have set up the network to assist households hit by disasters, to ensure the employment of handicapped persons, the livelihood of old people, and the living standards of disabled soldiers and families of deceased soldiers.

The network consists of mutual aid co-operatives for relief of natural disasters, welfare factories to employ handicapped persons, homes for the old folks, insurance for rice and other crops, and institutes to give special care to disabled servicemen and family members of deceased servicemen.

The pioneer was Yongfeng County, which has helped 11,729 families get rid of poverty since 1983. When a flood hit 330 ha of paddy fields in Junbu township and affected 3,500 local villagers, the mutual aid co-operatives delivered funds to help local people repair water conservancy projects and expand the area of late rice. As a result, all the households affected by the flood had enough food grains.

Xie Zhengcai, a handicapped person in Shijia Village, Jingdezhen City, could not work and had to depend on government relief in the past. In September 1985, he was employed by a wood and bamboo ware factory run by his village and earned nearly 1,000 yuan a year. Xie has not only paid off his debts but also built a new house.

Jiangxi Province, with a population of 36 million, is often hit by natural adversities. About 10 million people are affected by disasters each year. If they depended on government relief only, the province would have spent 10 percent of its financial revenues, excluding the funds for reconstruction.

When visiting Jiangxi recently, State Councillor Chen Junsheng said that the social security network in Jiangxi is an ideal solution to the problem. The Ministry of Civil Affairs has decided to spread Jiangxi's experience throughout the country.

Qinghai Improves Economic Situation Through Rectification

90OH0431A Xining QINGHAI JINGJI BAO in Chinese 25 Jan 90 p 1

[Article: "Qinghai Province Realized Preliminary Results From Improvement of the Economic Environment and Restructuring the Economic Order During 1989"]

[Text] On 20 January, the Qinghai Provincial Bureau of Statistics held a news conference for the release of statistics at which provincial Bureau of Statistics director Zhao Henglun [6392 1854 0243] reported the national economic and social developments in the province during 1989.

During 1989, the province's national economy and all social undertakings scored fine achievements. Improving the economic environment and restructuring the economic order has shown preliminary results; effective

supply has increased; total social demand has been brought under control; and the conflict between supply and demand is moderating. Both farming animal husbandry reaped fine harvests; industrial production expanded steadily despite on-going structural readjustments; the scale of investment in fixed assets was brought under control; the heating up of consumption cooled markedly; markets were stable; prices, which rose during the last half of the year, quickly fell again; and both foreign trade and government finance did fairly well.

Total supply increased. Preliminary calculations show a gross national product (at prevailing prices, and the same applies hereinafter) of 6 billion yuan in 1989, up 1.5 percent from 1988 in terms of comparable prices (and the same applies hereinafter); and a national income of 4.45 billion yuan, up 1.9 percent. Gross industrial output value (figured in terms of constant 1980 prices) is forecast to exceed 4.44 billion yuan in a 6.5 percent increase over 1988.

A fine harvest was reaped in farming and animal husbandry. Preliminary statistics show a gross output value (at prevailing prices) for rural society throughout the province of 2.73 billion yuan in 1989, up 291 million yuan from 1988. The gross output value of agriculture (figured at constant 1980 prices, and the same applies hereinafter) reached 1.16 billion yuan in a 2.84 percent rise from 1988. This included an output value of 556 million yuan for farming, up 4.32 percent; and a 494 million yuan output value for animal husbandry. Gross output of grain for the year reached 1,108,400 tons, up 4.7 percent from 1988 for an all-time high. Gross output of oil-bearing crops stood at 105,500 tons, up one percent from 1988. Plant-eating animals in inventory at year's end numbered 21,295,000 for a 1.58 percent increase over 1988. Hogs in inventory numbered 974,000 in a 5.6 percent rise.

Industrial production developed steadily despite on-going structural readjustments. The province's gross industrial output value (figured in terms of constant 1980 prices) stood at 3.288 billion yuan in 1989, up 7.6 percent. Gross completed industrial output value for townships and above amounted to 3.153 billion yuan in a 7.7 percent rise from 1988. This included the 100.5 percent fulfillment of annual plan for gross output value of industries included in provincial plan, a 10.6 percent increase over 1988. For light industry, gross completed output value was 1.092 billion yuan, up 1.3 percent. Gross output value completed for heavy industry was 2.061 billion yuan, up 11.4 percent. By economic category, the output value of enterprises under ownership of the whole people was 2.695 billion yuan, up 7.9 percent; and the output value of enterprises under collective ownership was 457 million yuan, up 6.7 percent.

Definite achievements were made in transportation, as well as in posts and telecommunications. During 1989, the Xining Railway Bureau handled 4.27 million tons of freight, 3.9 percent more than in 1988. Freight turnover

volume totaled 2.853 billion ton kilometers, up 9.9 percent. Passenger volume was 2.76 million passengers in a 14.6 percent decline. Tourist turnover volume was 840 million man kilometers in a 10.4 percent decline. Provincial highway transportation units hauled 1.73 million tons of freight in 75.2 percent completion of annual plan, down 17.6 percent from 1988. Freight turnover volume stood at 386 million ton kilometers, up 6.6 percent. Passenger transportation volume totaled 12.18 million passengers in 94.8 percent fulfillment of annual plan, down 0.9 percent. Passenger turnover volume was 695 million man kilometers, down 5.8 percent. Preliminary statistics for the whole province show completion of 30,067,000 yuan worth of posts and telecommunications in 114.3 percent fulfillment of plan for a 21.2 percent rise from 1988.

The scale of investment in fixed assets was brought under control. In 1989, 1.629 billion yuan of fixed assets were completed in units under ownership of the whole people throughout the province, a 26.17 percent decline.

Commercial markets were normal, the conflict between supply and demand easing markedly. Statistics show state jointly operated business net purchases of commodities within the province having a total value of 1.794 billion yuan, up 0.6 percent from 1988. At year's end, the gross output value of social commodities in storage was 18.8 percent higher than at the end of 1988. Total retail sales of social commodities provincewide during 1989 stood at 2.83 billion yuan. Although smaller by 10 million yuan in a 0.8 percent decline from 1988, this was a 24.23 percent increase over 1987, the rate of increase for the two years averaging 11.4 percent.

The foreign trade export picture was fairly good; however, some problems continued in the purchase of commodities for export. Preliminary statistics showed a 20.5 percent rise over 1988 in the province's total foreign trade import and export volume. This included a 110.4 percent fulfillment of plan for total exports in a 28.3 percent increase over 1988, and a 22.6 percent decline in imports. During 1989, foreign trade units purchased 316 million yuan (renminbi) worth of export commodities in 125.3 percent plan fulfillment, up 25.1 percent from 1988.

The fiscal and banking situation was very good, but the shortage of capital remained severe. According to preliminary statistics, local government financial income in the province broke the 600 million yuan mark to reach 647 million yuan in 108.9 percent fulfillment of the annual budget, up 27.7 percent from 1988. This included 601 million yuan in business taxes for 139.5 percent fulfillment of budget, up 22.1 percent. Income taxes from state-owned enterprises totaled 109 million yuan for 91.2 percent fulfillment of budget, down 11.3 percent. Enterprises' income totaled 26.46 million yuan for 102.8 percent fulfillment of budget, up 0.9 percent. Government expenditures for the year totaled 1.556 billion yuan 87.9 percent of the amount budgeted for the year, and 8.9 percent more than in 1988. In the banking

field, thanks to the vigorous actions of all specialized banks in the province, financial institutions throughout the province showed a 4.675 billion yuan surplus in savings accounts at the end of 1989, 347 million yuan more than at the end of 1988. The amount of loans in excess of savings for banking institutions throughout the province expanded from 694 million yuan at the end of 1988 to 1.333 billion yuan.

Prices, which rose during the last half of the year, quickly fell again. According to preliminary calculations, the overall retail price index for the province during 1989 in comparison with 1988 was 117.7, and the price index for city and countryside residents' living expenses was 117.5. Both were lower than the rise in prices during 1989.

Shanxi Economic Restructuring Produces Mixed Results

90OH0383B Taiyuan SHANXI RIBAO in Chinese
28 Jan 90 p 1

[Article: "Major Economic Indicators for 1989 in Province Show Initial Results From Improving the Economic Environment and Restructuring the Economic Order; Improving Economic Returns Remains a Top Priority Matter"]

[Text] Major economic indicators from the Shanxi Provincial Bureau of Statistics for 1989 show that total social demand throughout the province has been brought under preliminary control; however, enterprises' economic returns remain less than ideal. Accelerated readjustment of the industrial structure in an effort to improve economic returns is needed while still properly controlling the whole.

During 1989, the province invested a total of 10.497 billion yuan in fixed assets, 27 million yuan less than in 1988 in a 2.5 percent decline. The greatest decline occurred in Datong City, and in Xinzhou and Linfen prefectures. In addition, credit was controlled within plan. The credit balance outstanding for all purposes stood at 28.09 billion yuan at the end of 1989 for an increase of 4.26 billion yuan from the beginning of the year. This means it was still controlled within the all-time high increase of 4.376 billion yuan. Increases in staff member and worker wages also continued to slow. In 1989, the province's total wage bill for staff members and workers was 7.933 billion, up 16.3 percent from 1988 for a marked slowing.

One thing that should attract the attention of all quarters is that economic returns from industrial enterprises continue less than ideal. This shows up in the following ways: Low speed increase in the labor productivity rate, the labor productivity rate for all personnel in independently accounting industrial enterprises under ownership of the whole people throughout the province being 12,207 yuan in 1989, up 2.06 percent from 1988. Industrial enterprises comparable product costs went way up, rising 21.22 percent. Industrial sales profit and tax rates

declined slightly, and accumulations for the year dropped 15.99 percent. Energy consumption per 10,000 yuan of industrial gross output value rose 0.47 percent.

FINANCE, BANKING

Effective Ways To Use Tightened Loans

90OH0379A Beijing JINGJI RIBAO in Chinese
19 Jan 90 p 3

[Article by Zhao Haikuan (6392 3189 1401), director of the People's Bank of China Financial Research Institute: "How To Use Tightened Credit Effectively"]

[Text] *A Brief Introduction: Firmly implementing the policy of tightening control over finance and credits to maintain relative currency and price stability on the one hand and guarantee a certain rate of economic growth on the other—this is an important task in the period of improvement and rectification and a major subject of current economic research.*

In the following article, Zhao Haikuan, director of the People's Bank of China Financial Research Institute, gives his views on this subject. He holds that from a financial viewpoint, to solve this problem, it is necessary mainly to set the proper lending priorities so that new loans will produce good results in key links. He maintains that to achieve the goals of normal economic growth and further slowing down of inflation at the same time, it is necessary to take many kinds of measures. Financially, it is necessary to strictly implement the central government's policy of generally tightening control over finance and credits. On this basis, flexible measures should be adopted in the light of the new situation and according to the industrial policies to help some key units overcome the shortage of funds and insure a steady growth in production. An urgent task at present is to solve the shortage of circulating funds. For this reason, it is necessary to extend moderate amounts of starting loans to key industrial and commercial enterprises to stimulate production and circulation, unclog circulation channels, speed up final sales of goods, and eliminate overstocking of finished products.

The work to improve the economic environment and rectify the economic order in China has already produced results. However, inflation still exists, and it is necessary to continue to tighten control over finance and credits and in the meantime achieve relative currency and price stability as quickly as possible. At present, there is a shortage of circulating funds for enterprises and a sharp fall in production growth. If there is no other way to overcome the shortage of circulating funds, the banks will have to extend more loans and increase the money supply, but to do so would be contrary to the tightening policy and is not advisable at present. The most practicable and feasible solution is to use the tightened credits more efficiently and on the most crucial links, not only to help stabilize currency value and prices but also to alleviate the shortage of circulating funds and insure a certain rate of economic growth.

How, then, can tightened credits be used effectively? The following are the writer's views:

Opinions About Granting of Loans

One opinion has it that the major problem at present is the excessively tight control of credits by the banks, which has caused the shortage of circulating funds for enterprises and the fall in production growth. As to the slowing down of sales and overstocking of some goods, it is really not a problem. Because China is a country short of materials and goods, total demand exceeding total supply is a constant phenomenon, and there are not enough commodities to meet demands. Though the market is sluggish at present, sales will soon pick up. The overstocked goods should not be regarded as a burden, but should be regarded as a material force to maintain currency value and price stability. Therefore, what needs to be done now is to increase bank loans to overcome the shortage of circulating funds for enterprises and push production up. As to how the increased bank loans should be used to produce the best results, there are two ideas offered by this opinion. One is to lend the funds mainly to industrial enterprises which are important to the national economy and the people's livelihood so that they can return to normal operations first and then help bring the entire economy back to normal operations. The other is to grant the new bank loans mainly to commercial enterprises so that they can buy more goods from the industrial enterprises, thus transferring the burden of overstocking to the commercial enterprises and pushing industrial production up.

The trouble with this opinion is that it offers no solution to the problem of the final sales of goods. The overstocked goods are still in the hands of the enterprises, industrial or commercial, and the problem of the final sales of the overstocked goods remains unsolved. As production increases, the overstocks also grow. And without normal cash flow, there can be no real solution to the enterprises' shortage of circulating funds. Under the circumstance, to keep production going, the enterprises will have to ask for increasingly more loans, and how can the banks keep meeting their demands? If the banks are to meet such demands for loans, how is it possible to slow down inflation and stabilize currency value and prices? Obviously this opinion is not in line with the policy and objectives of improving the economic environment and rectify the economic order.

Another opinion holds that China's policy of tightening control of finance and credits has already achieved its goals. The major problem now is insufficient total demand and purchasing power. Under the conditions of a planned commodity economy, a little inflation is unavoidable, and it is unnecessary to pursue the impossible goal of currency and price stability at the cost of a sharp fall in production growth. Therefore, it is now necessary to turn the policy of tightening control over finance and credits into a policy of "relaxation" to increase investment in fixed assets and consumption funds and expand society's purchasing power. In this

way, the problem of overstocked finished goods can be solved; the rate of production growth can be raised; and the economy as a whole will be reinvigorated.

This opinion is even farther away from the policy and objectives of improving the economic environment and rectifying the economic order. The trouble with this is that the present tendency for inflation to slow down will be difficult to maintain. If this opinion is adopted, inflation will become worse. For the present, it may have some stimulating effect on production and solve the problem of slow production growth. In the long run, it will seriously hurt economic development because it worsens inflation.

It seems that to achieve the goals of normal economic growth and further slowing down of inflation at the same time, it is necessary to take many kinds of measures, of which a very important one is to stimulate circulation, speed up final sales of goods, and remove overstocked finished products. For this reason, the banks should extend appropriate amounts of loans to industrial and commercial enterprises as starting funds, on condition that the policy of tightening control over finance and credits is adhered to and that the loan ceiling is not exceeded. Commercial, supply and marketing, and foreign investment departments should actively purchase from industrial enterprises products that have a ready market; unclog the commodity circulation channels between wholesalers and retailers, between town and countryside, and between China and foreign countries; and increase the volume of final sales of goods in every possible way. China has a vast rural market which can absorb a great deal of commodities. Vigorous efforts should be made to send goods to the countryside. Some high-grade durable consumer goods are slow-selling and overstocked mainly because their prices are too high. It may be necessary to lift the price control and allow the enterprises to set their own prices according to the market supply and demand situation to boost sales of these products.

The advantages in so doing are: (1) The shortage of circulating funds can be alleviated somewhat for some enterprises. One of the major reasons that enterprises are short of circulating funds is poor sales, which makes it impossible for them to convert goods quickly into cash. As far as these enterprises are concerned, once the problem of the overstocking of finished goods is solved, the problem of the shortage of circulating funds will be solved automatically. (2) It will help overcome the problem of the sharp fall in production growth. Production growth has fallen sharply in the past few months mainly because of sluggish sales of finished products and shortage of circulating funds. If finished products sell faster, there will be more circulating funds, and production growth can be maintained at a certain rate. (3) Expenditures can be reduced, and product cost lowered. This will result naturally if overstocked products can be sold at current prices. Even if prices are lowered by a reasonable margin, the same result can still be achieved. Those who think that relaxing the price control on some overstocked goods and allowing their sales at lower prices will result in reduced income—and increased losses are wrong. If not sold promptly, the overstocked goods not only

will tie up more bank loans and increase interest payments, but will also incur greater storage cost and spoilage. At a reasonably lower price, the goods will be sold for less, but, because of savings in loan interests, fees, and spoilage, the overall expenses and cost of the goods will be reduced. (4) It will help push forward the price reform. Since the beginning of the economic reforms, we have always regarded decontrolling the prices of some commodities as a part of the price reform. In the past, because of poor timing, we often carried out price reforms while prices were rising and ended up raising the price level as a whole. The people have gotten the impression that price reform means higher prices, which has increased the resistance to price reform. Now, if the prices of some slow-selling and overstocked high-grade durable consumer goods are decontrolled, so that prices will drop and price reform can be carried out while prices are falling, it will not only help stabilize current prices and achieve good political results, but also lay a good ideological foundation for future price reforms.

Encouraging Readjustment of Product Mix by Tying Bank Loans to Sales of Goods

As mentioned previously, while encouraging the enterprises to promote sales of their products, the banks should also appropriately increase loans to support the purchase of agricultural and sideline products and help the industrial and commercial enterprises step up production and increase buying and selling. However, in increasing loans to the industrial and commercial enterprises, the principle that must be followed is to deal with each case on its own merits. After decontrolling the prices of some overstocked high-grade durable consumer goods to stimulate sales, inevitably some products will sell fast, while others will remain slow-selling, and some products will show a profit even at reduced prices, while others will lose money even without a drop in price. Bank loans should be used mainly to support enterprises with readily marketable products and fairly good economic performance and showing a profit. Some loans should also be extended to enterprises with flat sales but some profit to help them upgrade product quality and improve management and operations. As to enterprises with products of poor quality and high price, sluggish sales, chaotic management and operations, and quite heavy losses, bank loans should be denied them in principle, and their problems should be studied by the departments in charge of them for solutions. If the party and government leadership and the departments in charge feel that there is still hope for these enterprises to improve and that the banks should support them, then the banks should extend small loans to them for a specific time limit to help them reorganize or change courses. If they show no significant improvement at the end of the period, they will receive no more loans or support. In this way, we can effectively speed up the readjustment of the product mix and improvement of enterprise management and operations.

Whether Expanding Commodity Sales Will Produce Negative Results

Consideration should be given mainly to the following problems:

1. Will it weaken the material forces that contribute to currency stability? Some of the currently slow-selling goods were once hot items in the market. If we now push the sales of these items, and the market picks up again, is it not possible that stocks will run out, causing shortages in the market and adversely affecting the stability of currency and prices? Judging by the actual situation in China today, it is unlikely. First, only by expanding commodity sales, increasing market supplies, and absorbing more purchasing power now, will it be possible to relatively reduce future total demand, further slow down the price rise, and reassure the buyers that prices are being stabilized. Moreover, only by stepping up the sales of finished goods, alleviating the enterprises' shortage of circulating funds, and reducing product cost, will it be possible to increase production and supply so that a balance can be achieved between total supply and total demand and the cause of price hikes removed once and for all.

Next, expanding the sales of some of the slow-selling and overstocked goods does not mean that these goods must be sold out to create a shortage. When we say that the prices of some goods can be decontrolled, we mean to allow the prices to rise or fall freely according to the state of market supply and demand, and not just to reduce them. Without control, the prices may go up or down, depending on how well the goods are selling. When supply falls short of demand, the prices normally will go up, but that does not necessarily mean that the goods will be sold out and a shortage will occur. Even if the prices do go up and the goods are sold out (when prices rise too fast, we can always reverse course and take steps to put a limit on them), they will not have a serious impact on the people's living standard, because they are not the people's most urgently needed commodities. Besides, shortages of products can stimulate production by arousing enterprise workers and staff members to overcome technological difficulties, increase production, and improve the supply situation. It can better satisfy the people's needs than letting goods pile up in storage and become a hindrance to production.

2. How should enterprises with poor products but high prices be dealt with? To invigorate the market, the banks decide on whether and how much to lend to an enterprise on the basis of its sales and profit or loss. Enterprises sustaining losses because of poor products and high prices will be denied loans by the banks and will be unable to continue normal production. Will this adversely affect stability and unity? The question here is whether it is necessary to readjust the product mix. If it is necessary, then this problem is unavoidable, no matter what measures are adopted. It should be pointed out that to impel the readjustment of the product mix with bank loans determined according to sales and profit or loss is more accurate and effective and more conducive to economic development

than administrative measures. As to the enterprises with unmarketable products and sustaining rather heavy losses, exposed in the process, the banks will still grant them loans for improvement within a specific time limit, provided they are regarded by the departments over them as still possible to be improved. If there is really no justification for their continued existence, then they should be persuaded to switch to other lines of production or close down. After they switch or close, proper arrangements should be made for their workers and staff members.

3. Will the decontrol of the prices of some of the overstocked goods increase the enterprises' losses? Generally speaking, this possibility is very small. As we have said previously, after the decontrol of the prices, if the enterprises are willing to sell at lower prices, it is because to do so is better than to keep the goods in warehouses, continue to pay interest on loans and storage expenses, and bear the losses from spoilage. Otherwise, they have no reason to lower prices, or to lower so much, but would keep the goods in storage and wait for prices to go up.

As to the few enterprises which have sustained losses because of poor product quality, high cost, and selling at reduced prices, that is not a bad thing. It helps expose problems, impels the enterprises to improve management and operations, and contributes to product quality improvement and readjustment of the product mix as a whole.

4. Will it reduce the state's consumption tax revenue? As far as some of the high-grade durable consumer goods, on which consumption taxes have been imposed in the past few years, and which are now overstocked as sales have begun to fall, are concerned, the decontrol of their prices and their sales at reduced prices may mean that the state will collect less consumption taxes than expected. But, these products are now already slow-going or piling up, and, unless prices are decontrolled to promote sales, it is actually hard to collect any consumption tax on them. At the same time, it should be noted that the decision to collect consumption taxes on some products was made at a time when supply could not meet demand and prices were going up. Now that prices are stabilizing, and some of these products are going slowly or piling up in warehouses, the consumption taxes should be reduced or abolished. Otherwise, they will adversely affect the marketing of these products, hinder the effort to invigorate the economy, and ultimately result in lower tax revenues for the state.

INDUSTRY

Auto Industry Bail-Out Program Continues

HK1203095490 Beijing CHINA DAILY in English
12 Mar 90 p 2

[By staff reporter Wu Yunhe]

[Text] The Chinese Government is continuing its "bail-out programme" this year, aimed at helping the country's major car manufacturers and joint ventures survive the present sluggish sales and growing stockpiles. CHINA DAILY learned yesterday.

The so-called "rescue purchasing plan" has entered its second year following last year's purchasing of stockpiled products from the country's automobile joint ventures.

Authorized by the State Council, the People's Bank of China, the central bank of China, will provide some 1 billion yuan (\$212 million) in loans to back up the Ministry of Materials and Equipment in carrying out the plan this year, said an official of the China National Automotive Trade Corporation (CNATC) which is under the jurisdiction of the Ministry of Materials and Equipment.

Of the loans, 380 million yuan (\$80.51 million) will go to the auto manufacturers who are coping with an inventory of up to 10,000 vehicles, the official said.

This is a part of the country's effort to help boost the weak domestic market in face of the nation's decline in the industrial output value.

"The government is buying the stockpiled products from those stockpile-ridden enterprises in a bid to stimulate the sluggish home market this year," he said.

The total loan for the auto purchasing will be disbursed for the (CNATC) to buy up 4,990 of the stockpiled motor vehicles this year, mainly Charade cars of the Tianjin Automotive Industry Corporation, Santana of Shanghai Volkswagen, Guangzhou Peugeot cars, 212 jeeps of the Beijing Jeep Corporation, Dongfeng trucks of the No. 2 Automotive Corporation in Hubei Province and Audi cars of the Changchun No. 1 Automotive Corporation.

By the end of last year, the Chinese Government had announced its decision to buy 7,440 cars from the country's Sino-foreign cooperative auto ventures with 350 million yuan in loans provided by the central bank.

However, the government only purchased 3,000 Shanghai Santanas, Guangzhou Peugeots and Beijing Cherokee and 212 jeeps in 1989, because these auto ventures' situation, in terms of their production, was improving during the second half of the year, said Wang Weijun, manager of the CNATC's automobile division.

The manager, whose firm carried out the purchasing plan last year, told CHINA DAILY that most of the cars and jeeps bought last year have been sold to government departments which urgently needed them.

However, Wang said, as the government continuously implements the austerity policy, together with the control on consumption and institution buying, the country's major auto firms will again face problems in production and sales this year.

Electronics Output Drops in January

OW2102230990 Beijing XINHUA in English
0239 GMT 21 Feb 90

[Excerpt] Beijing, February 21 (XINHUA)—The electronics industry's output value declined by 22.7 percent

to 4.2 billion yuan (893 million U.S. dollars) in January from a year ago, according to the Ministry of Machinery and Electronics Industry.

The machine-building sector also suffered a nearly 14 percent drop last month to 7.4 billion yuan (1.6 billion U.S. dollars) compared with the same period last year.

In comparison with December, the electronics sector decreased by nearly 28 percent and machinery by one percent. [passage omitted]

Boost in Iron, Steel Investment Announced

HK1602022790 Beijing CHINA DAILY in English
15 Feb 90 p 2

[Summary] According to an official with the Ministry of Metallurgical Industry, China will invest five to six billion yuan into iron ore mining during the next five years, in order to maintain stable growth in the industry and reach a production goal of 70 million tons of steel annually by 1995. The money will be used to build eight new mines and expand five old ones. Previously China has imported iron ore to supplement inadequate domestic supplies. Development of the iron mines will reduce China's reliance on the world market.

The eight planned mines will be near large iron and steel companies, such as Anshan and Benxi in Liaoning Province, Wuhan in Hubei Province and Ma'anshan in Anhui Province. The expansion project includes mines operated by the Anshan Iron and Steel Works, the Capital Iron and Steel Company in Beijing, steel works in Hebei Province, and Chongqing Iron and Steel Works in Sichuan Province.

The expansion project of Qidashan mine in Anshan will supply an extra six million tons of iron ore each year for the Anshan Iron and Steel Works. The expansion project of the Shuichang mine operated by the Capital Iron and Steel Company will increase its annual production capacity to 18 million tons from 7.5 million tons this year.

The ministry is also updating equipment to increase output of some old mines. There are plans to use more trucks as transportation at open-cut mines, because they are more efficient than the traditional electric locomotives. The ministry will use 35 40-ton trucks for the mines in Anshan and Benxi, with another 55 trucks sent later. Increased transport capacity will help the two mines increase their output to 7.5 million tons each, compared with 4.5 million tons now. Of the 17 key iron ore mines, only 15 are currently using trucks for transport.

Guangxi Light Industry Increases Output in 1989

HK2102082690 Nanning Guangxi Regional Service
in Mandarin 1100 GMT 17 Feb 90

[Excerpts] According to news from a regional work conference on light industry which ended on 16 February, the region achieved some progress in its light industry in 1989, even though there were serious shortages of funds and energy, and a heavy market.

Last year the region's light industrial enterprises had a gross output value of 2.109 billion yuan, a 5.08-percent increase over 1988. The income of product marketing and the amount of marketing tax to be paid increased by 4.71 percent and 4.89 percent respectively over the previous year. [passage omitted] This year the region's light industrial factories still face shortages of energy, funds, and foreign exchange, as well as a dull market. To extricate ourselves from this difficult position and expand production, we must seek fresh markets, focusing on the rural market by bringing more products to the rural areas. We must also compete on the world market by raising product quality and grade, improving packaging, continuing to readjust the trade structure and product mix, and making efforts to improve the quality and variety of people's daily necessities. [passage omitted]

Heilongjiang Industrial Output Falls in January

SK2502052390 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 15 Feb 90

[Excerpt] The sharp decline in provincial industrial production in January has drawn the attention of the provincial party committee and the provincial government. At the provincial telephone conference on industrial and communications production, which opened on 15 February, Vice Governor An Zhendong said that the province should adopt resolute measures to quickly reverse the sharp decline in industrial and communications production.

It was learned that in January total provincial industrial output value declined by 7.2 percent over 1989. This is the first sharp decline in 10 years. After analyzing the reasons for the decline, Vice Governor An Zhendong suggested some measures for reversing the situation.

He said, "We should strengthen commodity sales and enliven fund utilization. Industrial and commercial departments should make concerted efforts to promote industrial production. The sales contract method that has already been carried out should be carried out continuously. Special ranks should be organized to collect deferred payment for goods, and those that performed in an outstanding way should be commended. We should vigorously support the production of local industrial products. All prefectures, cities, professions, and trades should develop methods to support production of their own products in line with the provincial planning meeting's opinion on supporting the development of local industrial products. Banking departments should try to help state-owned commercial and supplies departments, as well as supply and marketing cooperatives, to solve problems in procurement funds. The 820 million yuan of incentive funds released on four occasions last year can be used continuously until April this year. Special attention should be paid to the 136 large and medium-sized key enterprises, by formulating methods of [words indistinct]. The provincial party committee will establish office No. 136 to solve these

enterprises' production problems. Efforts should be made to launch the emulation drive to attain the targets of lowering consumption and increasing efficiency. We should strive to improve coal transportation and electricity transmission and [words indistinct]." [passage omitted]

Jiangsu Industrial Production Rises First Two Months

OW0803092790 Beijing XINHUA in English
0828 GMT 8 Mar 90

[Text] Nanjing, March 8 (XINHUA)—The industrial output value of east China's Jiangsu Province reached 8.518 billion yuan (about 1.7 billion U.S. dollars) in the first two months of this year, an increase of 3.9 percent over the same period of last year, according to the provincial statistics bureau.

The province has nearly 1,000 medium and large state-run enterprises. Their output value accounts for one-third of the total industrial value of the province.

Starting from the fourth quarter of last year, the state loaned Jiangsu Province 1.5 billion yuan to these enterprises.

The output value of 12 large-scale enterprises, including the Jinling Petrochemical Company and Nanjing Chemical Engineering Company, is expected to increase by 1.8 billion yuan this year.

The Nanjing Chemical Engineering Company is one of China's main producers of fertilizer and its annual production has surpassed one million tons. Its output value in the first two months increased 22 percent over last year's figure.

Wuxi Xiexin Wool Spinning Factory, China's largest enterprise producing high-quality woollen, can turn out 10,000 m of woollen every day.

The export of tractors for the first quarter of the year from the Changzhou Tractor Plant is expected to reach 1,300—equal to the total number exported last year.

Liaoning Industrial Growth Continues in 1989

OW2702030290 Beijing XINHUA in English
0149 GMT 27 Feb 90

[Text] Shenyang, February 27 (XINHUA)—Northeast China's Liaoning Province saw continued industrial growth in 1989.

Last year, Liaoning Province produced a total of 109.27 billion yuan (about 29 billion U.S. dollars) in industrial output value, an increase of 5.9 percent over 1988.

The industrial output value of state-owned industry accounted for 61.78 billion yuan (about 17 billion U.S. dollars), an increase of 2.6 percent over the previous year. The output value of cooperatives accounted for 24.36 billion yuan (about six billion U.S. dollars), an increase of 6.3 percent.

In 1989, the province's light industry produced 29.25 billion yuan (about 7.8 billion U.S. dollars) in output value, an increase of 2.6 percent over 1988. Output of 10 of 16 major light industrial products increased in 1989.

The output value of heavy industry last year was 61.26 billion yuan (about 16 billion U.S. dollars), an increase of 4.8 percent.

Seven heavy industrial products saw decreases. The production of trucks decreased 12.2 percent over 1988.

Electric energy production of the province last year increased 1.2 percent over the previous year.

For continued development of Liaoning's industry, problems including the lack of coordination between product structure and changing demand, the oversupply of some products and the shortage of funds must be solved.

Shanghai Increases Daily Industrial Output Value

*OW0702082290 Beijing XINHUA in English
1557 GMT 6 Feb 90*

[Text] Shanghai, February 6 (XINHUA)—The value of Shanghai's daily industrial output reached 292 million yuan (62 million U.S. dollars) last month, 2.5 percent more than at the same time last year, according to the Shanghai Municipal Bureau of Statistics.

The total value of the municipality's industrial output last month amounted to 7.881 billion yuan (1.7 billion U.S. dollars), despite several days off for workers for the New Year and for the Spring Festival, China's traditional Lunar New Year.

Those with the bigger increases in output value include the industries of metallurgy, textiles, power, daily necessities, pesticides, and export-oriented products.

Shanxi To Protect Key Enterprises

*HK1203142090 Taiyuan SHANXI RIBAO in Chinese
5 Feb 90 p 1*

[Report by staff reporter: "Shanxi Province Has Decided To Protect 150 Enterprises"]

[Text] To bring into full play the role of large and medium-size enterprises as the backbone of the national economy, Shanxi has denoted 150 enterprises, including the Taiyuan Iron and Steel Company, as large and medium-size key enterprises which will be protected in the near future. Priority will be given in arranging basic requirements necessary for their normal production.

Although such enterprises only constitute 1.2 percent of the province's total industrial enterprises, their output accounts for 30.7 percent of the province's industrial output value. Their profits and taxes equal 80 percent of those of state-owned industry, and the profits and taxes they turn over to the province account for 48 percent of provincial financial income. These enterprises have a

significant bearing on the national economy and the people's livelihood. They assume greater responsibility in undertaking the mandatory plans of the state and province; they either produce important products, or their exports contribute significantly to foreign exchange earnings; they are relatively well-managed, and yield better economic results. The province will implement a slanted policy towards these enterprises to ensure their normal production. Electricity supply will be allocated in accordance with the principle of meeting or basically meeting their actual requirements. Provincial authorities will place direct quotas on some enterprises having large electricity consumption. The allocation of raw materials and fuel will be coordinated with product planning. Raw materials and fuel that enterprises use in mandatory production plans will be supplied directly to them to the best of the authorities' ability. Priority will be given to allocating required operating funds to these enterprises, and planned management will be carried out concerning raw materials and fuel [consumption] and product transportation. Every month, the provincial economic commission will hold a transport balance and coordination meeting to make arrangements for the enterprises and to coordinate their transport problems. The provincial authorities will continue to give the enterprises major support and priority in terms of technological transformation and introduction, in order to enhance their abilities for further development.

Sichuan Reports Sizable Industrial Growth

*HK1302072590 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 11 Feb 90*

[Text] Statistics issued by the Sichuan Provincial Statistics Bureau show that Sichuan's industrial production witnessed sizable growth in January 1990. Total output value of Sichuan's industrial enterprises in January reached 6.807 billion yuan, if calculated according to current prices, or 4.596 billion yuan, if calculated according to constant prices. With noncomparable factors taken into account, the average daily output value of Sichuan's industrial enterprises grew 4.04 percent over the same period last year.

In January 1990 Sichuan's energy, raw material, and agriculture-oriented industrial production also witnessed sustained growth, which will unquestionably give a powerful impetus to the continued development of Sichuan's industrial agricultural production. Nonetheless, statistics also show that Sichuan's January industrial production was also characterized by instability and a rapid decrease in light industrial production. This is an outstanding problem demanding a prompt solution.

Tibet Increases Industrial Output Value in January

*HK0602090990 Lhasa Tibet Regional Service
in Mandarin 1130 GMT 5 Feb 90*

[Summary] In January, Tibet's total production output value of various industrial and mining enterprises

reached 1.24 million yuan, an increase of 17.3 percent over the same period last year.

Electric power production in the region increased in January. Lhasa Power Plant increased electric energy production to 10,690,000 kWh, 36 percent of the quarterly quotas, and an increase of 45 percent over the same period last year. January's electric energy production of (Yangbajin) Geothermal Power Plant and (Naji) Power Plant were 53 percent and 42 percent higher than the same period last year. Generated energy sold by Lhasa Power Station increased by 33 percent.

In January, the production output of cement reached more than 7,000 tons. (Tolun) coal mine excavated more than 100 tons of ore.

SMALL-SCALE ENTERPRISES

Rural Enterprise Statistics for Jilin

90OH0350A Beijing ZHONGGUO XIANGZHEN QIYE
BAO in Chinese 12 Jan 90 p 1

[Article by Jilin Province Township and Town Enterprise Administrative Bureau: "Take Advantage of Local Natural Resources, Promote the Development of Stability and Harmony in Township and Town Enterprises"]

[Text] For the past several years, we have, by keeping the situation of the province in mind, adhered to a policy of "working out measures to suit local conditions, utilizing our advantages, orienting ourselves toward market needs, and stressing efficiency" in order to take advantage of local natural resources and ensure the stable and harmonious development of township and town enterprises. In 1988, township and town enterprises throughout Jilin Province achieved an output value of 10.98 billion yuan, which exceeded the total output value of agriculture and accounted for half of the province's rural economy. Of these enterprises, rural industrial enterprises which took advantage of local natural resources achieved an output value of 2.13 billion yuan, constituting 66.6 percent of the total output value of rural industrial enterprises in the province.

Jilin's township and town enterprises are based on the utilization of local resources. Jilin is one of the country's commodity grain bases. Its grain production has all along been stabilized at above 13 million tons, and nationally, it stands in the front ranks in terms of per capita grain production and the amount of its grain that is allocated outside the province. Jilin has 8.784 million hectares of timber resources. Its lumber output is the second largest in the nation. More than 70 varieties of mineral resources have been proven. The province is also rich in local specialty products and has a large amount of animal and plant resources. Natural resources still to be tapped are also a potential advantage for providing township and town enterprises in the province with broad opportunities for development.

Jilin's scientific research and educational facilities occupy nationally important positions. In 1985, there were 172 natural science research organizations in the province and 144 specialized colleges and middle schools. We, on the one hand, incorporate and transform these natural resources—with their richly endowed advantages—with the results of scientific research and, on the other hand, develop and utilize them, thus forming a three-in-one cycle that involves development of township and town enterprises, transformation from the results of scientific research, bringing into play the advantages of the natural resources, and again development of township and town enterprises.

In order to zero in on our guidance work, we have divided the province into three regions based on their geographic features and natural resource distribution. They are the central grain producing region, the eastern mountainous region, and the western farming and stockbreeding region. We provide guidance based on the different features of each region. At present, the dominant production in each region is beginning to take shape and achieving relatively good efficiency. Compared to 1985, the 1988 output value of the central grain producing region increased 1.72-fold, that of the eastern mountainous region increased 1.95-fold, and that of the western farming and stockbreeding region increased 2-fold.

Policy has been the "starting mechanism" for developing township and town enterprises.

Beginning in 1986, the provincial party committee and the provincial government drafted the "provisions concerning several questions on the vigorous development of township and town enterprises" and later the "supplemental provisions concerning several questions on the vigorous development of township and town enterprises." At the same time, with the active cooperation of the departments concerned, we drafted a series of supporting policies on taxes, industry and commerce, mineral exploitation, and qualified personnel. The implementation of preferential policies enabled township and town enterprises to exploit and utilize natural resources at a greatly increased pace. In 1988, rural mines in the province numbered 2,065, a 37.4 percent increase compared to 1985, and output value came to 320 million yuan, a 78 percent increase compared to 1985.

While we were actively drawing up macroeconomic policies of inclination, we were also taking a number of measures to provide specific guarantees. As for the use of working funds to support agriculture, the issuance of bank loans, and giving preference to construction projects, we gave priority to supporting those township and town enterprises exploiting and using local resources. In the three years from 1986 to 1988, there were a total 4,659 projects in the province involving new construction, expansions, or technical transformations, with an overall investment of 1.07462 billion yuan. Of these projects, there were 3,974 which brought into play the advantages of local natural resources, 85.3 percent of

the total. Investment in these projects amounted 901.60 million yuan, 83.9 percent of the total. Output value in the amount of 2.34416 billion yuan was created and 527.43 million yuan was paid in profit taxes.

Making technical improvements is the only route for developing township and town enterprises. Beginning in 1986, we drew up a series of policies on technical improvements for township and town enterprises, for example, the "provisions concerning certain policies to promote technical improvements in township and town enterprises" and later the "program for the technical improvement of township and town enterprises in Jilin Province." We have explicitly issued targets and priorities for the technical improvement of township and town enterprises which bring into play the advantages of local natural resources. For the past three years, we have used various methods such as publications and briefings, taken a number of different measures involving propaganda and implementations, and convened 18 meetings on technical improvements to guide township and town enterprises in understanding and utilizing science and technology. The motivating force of these efforts has been great. In the three years between 1986 and 1988, the output value of township and town enterprises in the province relying on technical improvements increased 3.16 billion yuan and profit taxes 650 million yuan. Of these enterprises, more than 60 percent obtained their results by relying on scientific and technical methods to exploit local natural resources. Key enterprises with output value of 3 million yuan and above increased from nine in 1986 to 99 in 1988. Of these, 31.2 percent were enterprises using local resources.

In the past several years, by synthesizing the gratifying results obtained from exploiting and utilizing local resources, there has been remarkable improvement in the development level and economic efficiency of township and town enterprises that rely on science and technology. Since 1986, township and town enterprises have developed 514 new products, realizing an output value of 420 million yuan and paying 70 million yuan in profit taxes. Two thirds of these new products were based on local natural resources, creating an output value of 250 million yuan and paying 50 million yuan in profit taxes. Of the presently existing 128 departmental or provincial superior quality products, 74 are from local natural resources, 58 percent of the total. In the three years from 1986 to 1988, township and town enterprises showed a net increase in output value of 5.67 billion yuan, of which nearly 70 percent was growth in enterprises relying on local natural resources.

In April 1987, on the basis of a complete analysis of the advantages of the natural resources in Jilin, we explicitly demanded that priority be given to developing the nine serial products of "lumber, fruit, stone, grain, ginseng, oil, potatoes, poultry, and milk," thereby linking the parts with the whole, creating advantages of scale, and speeding up the exploitation and utilization of local natural resources.

Having undergone several years of effort, the nine serial products of "lumber, fruit, stone, grain, ginseng, oil, potatoes, poultry, and milk" are beginning to take shape, creating an annual output value of 1.57 billion yuan that accounts for 32.4 percent of the output value of rural second-level enterprises and occupying the decisive position among rural second-level collective enterprises throughout the province.

Looking back over several years of development in Jilin of township and town enterprises reveals the following:

1. The fundamental way out for township and town enterprise development is readjusting the industrial structure and bringing into play the advantages of local natural resources.
2. The correct orientation for township and town enterprise development is toward rural markets and service to agricultural production.
3. The internal motive force for township and town enterprise development is reliance on science and technology and a comprehensive raising of standards.
4. The inevitable tendency for township and town enterprise development is development of economies of scale and strengthening the function as a whole. Several years of experience have taught us that, although small enterprises have the advantage of being easier to control, their defects are numerous. If we are to make ourselves invincible in the face of fierce market competition, we must constantly improve the function as a whole and effect economies of scale. These are the objective requirements and necessary choices that must be made for township and town enterprise development.

FOREIGN TRADE, INVESTMENT

Use of Foreign Capital, Overseas Labor Contracts 'Successful'

90OH0363B Beijing GUOJI SHANGBAO in Chinese
23 Jan 90 p 1

[By Li Yinghao (2621 4481 3185)]

[Text] According to a press spokesman for the Ministry of Foreign Economic Relations and Trade at a press conference convened on 22 January, relatively good success was attained in 1989 in China's utilization of foreign capital and in its the overseas contracts for engineering and labor services.

In 1989, China continued to stress improving the climate for foreign commercial investment, perfecting economic legislation concerning foreigners, and bettering various types of services. Although the economic sanctions imposed by some Western countries greatly affected our utilization of foreign loans, the overall utilization of foreign capital was better than had been foreseen.

Foreign loan agreements in the amount of \$4.8 billion were concluded, a 51 percent decline compared with 1988. The actual amount of funds used was \$5.9 billion, a nine percent decline.

The absorption of direct foreign commercial investment was for the most part normal. There were 5,784 new approvals for foreign commercial investment in enterprises (3,663 joint ventures, 1,179 contractual joint ventures, 932 wholly foreign-owned enterprises, and 10 cooperative development enterprises), a 2.7 percent decline compared to 1988. However, agreements for foreign investments amounted to \$5.6 billion, a 5.6 percent increase. The actual amount invested came to \$3.3 billion, a 4.1 percent increase. Of the new projects approved, more than 90 percent were for production. Projects exceeding \$100 million in foreign commercial investment were more numerous than any previous year. And the number of new approvals for wholly foreign-owned enterprises exceeded the sum total for all previous years. Exports from three kinds of partially or wholly foreign-owned enterprises came to \$3.59 billion, more than a 1-fold increase compared to the \$1.75 billion of 1988. The absorption of foreign commercial investment for the expansion of exports has been increasingly successful.

Liu Xiangdong [0491 0686 2636] declared that the above figures testify to the success of China's policy of encouraging foreign commercial investment and to the attractiveness of China to investors from various countries.

In discussing China's 1989 foreign contracts for engineering and labor services, Liu Xiangdong reported that the notable features of the foreign contracts for labor services were as follows: 1) The extent of cooperation continued to expand. Countries and regions with which China developed cooperation for contract labor services increased from 117 in 1988 to 123 in 1989. 2) The overall economic efficiency of contract engineering continued to improve, and the small number of deficit projects took a turn for the better. 3) Business with the Soviet Union and the Hong Kong and Macao regions developed relatively fast. Contracts with the Soviet Union were concluded for 15,000 people.

In 1989, various companies in China concluded 1,850 labor contracts, totaling \$1.85 billion, a 14.7 percent reduction compared with 1988. Completed operations amounted \$1.38 billion, a 3.5 percent reduction compared with 1988. The number of overseas personnel has continued to remain at more than 65,000.

In 1989, China's offshore foreign trade joint venture enterprises were for the most part managed well. There were again 119 new contractual joint ventures that were approved, with the Chinese side investing a total of \$236 million, a 54.2 percent increase compared with 1988. The technological and equipment portion of the Chinese investment rose to 66.6 percent of China's overall investment. Furthermore, agricultural projects and projects for

exploiting natural resources also increased. There were 67 approved during the year, 56.3 percent of all the new projects approved.

Prospects of U.S. Investment in Post-Tiananmen Era

90OH0235A Hong Kong CHING CHI TAO PAO

[ECONOMIC REPORTER] in Chinese

No 50, 18 Dec 89 pp 14-15

[Article by Sun Hai-shun (1327 3189 7311), Analyst of the Southeast Economic Information Center: "An Analysis of the Prospects of U.S. Investment in Mainland China"]

[Text] Since China and the United States established diplomatic relations, their economic relations have grown rapidly. An important part of the growth is the fast-growing direct U.S. investments in Mainland China. From 1980 through 1984, agreements signed for direct U.S. investments in China totaled \$861 million in value. After 1984, with China's policy of opening to the outside world further expanded, U.S. investments in China also grew faster. From 1985 to the end of June 1989, agreed-upon direct U.S. investments in China increased at an average annual rate of 30.6 percent to a total of \$3.74 billion in 790 projects. The United States is, after Hong Kong, the second largest investor in China. Of the total direct foreign investments in China, 14 percent are invested by U.S. businessmen.

Compared with other foreign investors, direct U.S. investments in China are characterized by their large scales, wide geographical distribution, high technological levels, and focusing mainly on long-term strategic interests. In trade structure, U.S. investments in China are concentrated on energy exploitation and the hotel and service trades, the former accounting for nearly 40 percent and the latter about 25 percent. In the past three years, the proportion of U.S. investments in the manufacturing industries has increased to about 30 percent. Within the manufacturing industries, U.S. investments are mainly in light textile, food, machinery, and electronic industries.

The rapid growth of U.S. investments in China has become a prominent feature of the developing Sino-U.S. economic relations in the 1980's. Will U.S. investments in China maintain the tendency of rapid growth, and what are the prospects for further development in the 1990's? This question is being asked by people at home and abroad since the "4 June Beijing incident." The writer thinks that future development of U.S. investments in China, as a part of Sino-U.S. economic relations, depends on a series of economic and political factors. Among these factors, developments in Sino-U.S. political relations are the major premise on which economic relations between the two countries, including U.S. investments in China, will depend. Assuming there is not going to be any significant change to this major premise, then the future of U.S. investments in China will be decided by the trend of U.S. investments abroad

(particularly in the Asian-Pacific region) as a whole and the extent to which China's investment climate is improved.

Sino-U.S. Political Relations Will Remain Stable

Judging by the trend of the international political situation, the "great triangular" check-and-balance relationship among the United States, the Soviet Union, and China on the global scale and the "triangular" check-and-balance relationship among the United States, Japan, and China in the Asian-Pacific region will be maintained, and no major change will take place in the near future. To contain Soviet and Japanese expansion in the Far East and Pacific region and protect U.S. interests in this region, the United States needs to maintain a lasting and stable political relationship with China and to a certain degree hopes for China to become stronger, which is conducive to consolidating and maintaining the balance of political forces in the world and the Asian-Pacific region and in keeping with global U.S. interests. This is the core of the United States' global strategy and the starting point of its China policy. To achieve economic modernization, China needs U.S. capital and technology and a peaceful international environment. It is obvious that China and the United States have a mutual need and the common ground to maintain a lasting and stable political relationship. Even though some chance occurrences (such as the "4 June Beijing incident") may have a certain impact on Sino-U.S. political relations, such impact is temporary and local.

Trend of Growing U.S. Investments in the Asian-Pacific Region

Since the beginning of the 1980's, U.S. transnational corporations have readjusted the distribution of their investments abroad to meet the new changes in world economy and trade. While slowing down on their investments in Europe, Latin America, and other areas, they have accelerated investments in the Asian-Pacific region (referring here to the Asian region on the western Pacific). Between 1980 and 1988, direct U.S. investments in the developing Asian-Pacific countries and areas increased at an average annual rate of 10.6 percent. In the same period, U.S. investments increased by an annual average of only 5.3 percent in Europe, 3.2 percent in Canada, and 3.1 percent in Latin America. This change of direction of U.S. investments abroad is a prominent feature and obvious trend of international capital flow in the 1980's. This trend is caused by a combination of domestic and international economic factors.

1. The readjustment of domestic U.S. industrial structure and the resulting need to move industries abroad have impelled the United States to increase its direct investments in the Asian-Pacific region.

Since the mid-1970's, the U.S. industrial structure has entered a changing readjustment phase. On the one hand, priority is given to the development of high-tech industries. On the other hand, a policy of combining

"renovation at home" with "moving abroad" has been adopted for the traditional industries, that is, to renovate the existing industries with new technologies so that they can maintain a certain level of domestic production, and, at the same time, through direct investments to move the traditional industries to the Asian-Pacific region, which is in the process of modernization and has good conditions for development.

2. The rapid economic growth of the western part of the United States has impelled it to strengthen trade and investment relations with the other side of the Pacific Ocean.

3. The economic rivalry between the United States and Japan and the serious trade imbalance between the United States and the Asian-Pacific region has forced the United States to increase its direct investments in that region.

The rapid growth of U.S. investments in the Asian-Pacific region is also closely related to the worsening trade imbalance between the United States and the region. The worsening trade imbalance has forced the United States to increase its direct investments in the Asian-Pacific region in order to by-pass the local tariff barrier, make use of the region's cheap labor and natural resources, establish competitive production bases in the region, produce and sell locally, and capture the local markets.

4. The Asian-Pacific region's vigorous economic development and great potential for future growth have made the region highly attractive to international investors.

Compared with other parts of the world, the Asian-Pacific region has the fastest-growing economies in the past 10 years and more, and its advantages in markets, resources, and labor give it a tremendous potential for future development. Thus the Asian-Pacific region will continue to be more attractive to investors than other areas and will remain the favorable choice for the flow of international capital.

The above-mentioned four basic factors have determined the objective trend for the United States to increase direct investments in the Asian-Pacific region. Other factors may also have some impact on U.S. investments in the region, but will not change this basic trend.

Future Prospects of U.S. Investments in China

Whether the possibility of increasing U.S. investments in China can become a reality depends on how much China's investment climate can be improved and how well it compares with other Asian-Pacific countries and areas in the eyes of U.S. investors.

U.S. investments in China, though increasing quite rapidly in the 1980's, had a small and late start. Judging by the amount actually invested, U.S. investments in China are rather small. As of the end of June 1988, actual U.S.

investments in China totaled only \$2.1 billion, lower than U.S. investments in Hong Kong (\$5.45 billion), Indonesia (\$3.93 billion), and Singapore (\$2.52) at the end of 1987, and accounting for just 0.64 percent of total direct U.S. investments overseas. The rather small total of U.S. investments in China shows on the one hand the potential for U.S. investments to increase and on the other hand the need for China to improve its investment climate.

Based on foreign investors' demands on China's investment climate and the present economic conditions in China, the writer thinks that to improve China's investment climate, the key lies in properly solving the following three problems:

1. Open up domestic markets to foreign investors. As they have been for a long time, almost all the technologies and equipment needed in China are imported by specific state import and export companies, and the market has rarely opened to foreign firms. So far China has not been able to develop a domestic production system to produce substitutes for imported equipment. An important way to solve this problem is to open the domestic market to foreign-owned factories in China to encourage foreign enterprises to set up plants and establish production bases in China and allow them to sell their products in the domestic market. This will not only spur domestic production of similar products and accelerate technological progress and formation of a domestic production system, but also produce substitutes for imports and gradually put an end to our dependence on imported technology and equipment.

How to open domestic markets to foreign enterprises is an important question. The writer thinks:

First, under China's present conditions, it is not suitable to open up all domestic markets immediately and completely. Instead, they should be opened step by step. Suddenly opening all domestic markets to the outside world could rock China's economy under the present system and cause it to run out of control. That must be prevented.

Second, in choosing industries for which markets will be opened, the principle should be "priority development" and "relative advantage," that is, to choose industries that are inadequate in China and named by the state for "priority development" and industries which are relatively well-developed in China. The former include mainly the high-tech industries and basic industries such as the iron and steel, energy, transport, and communications industries. Opening the markets of these industries to foreign investors will encourage them to make investments in these industries and promote their development. The latter are mainly industries that are already well-developed technologically and highly competitive in China, such as textile, garment, and other labor-intensive industries. Opening the markets to foreign firms will not have a great impact on these industries. While conceding a part of the domestic market to foreign

firms, the domestic factories can use their competitive edge to expand into markets abroad.

Third, the geographical order in which markets are to be opened can follow the principle of first the coastal areas and then the interior, beginning from the SEZs and open coastal cities and moving step by step from the east to the west, so that the geographical order in opening up the domestic markets will correspond to that in opening up the entire economy to the outside world.

Fourth, the opening of markets to foreign investors should be coordinated with the pace of China's domestic economic reform and the scope and extent of market regulation.

2. Create a small climate suitable for foreign capital to exist and grow. To perfect China's investment climate, the most important thing is not for the Chinese government to give the foreign investors preferential treatment in such matters as taxation, land price, and so forth, but for China to have a market economy environment suitable for foreign capital to exist and grow. Because capital is value capable of bringing surplus value, it can only produce more value through the market and exist and grow in an economic environment with a sound market mechanism. China at present is a country "insuring the leading role of the planned economy supplemented by market regulation." How can a small climate suitable for foreign capital (especially direct investments) to exist and grow be created in such a vast system and environment? Under present conditions, the only feasible way is to develop a small market economy environment independent of the planned economic system and adapted to the characteristics and development needs of foreign capital. In addition to being independent of the planned economic system, it should also be separated geographically and physically from the planned economic areas in the form of economic zones dominated by foreign capital and guided by market prices.

For these economic zones, the central government should formulate overall development policies and strategies and enact relevant economic laws and regulations, but actual economic development and operations will be the responsibility of the investors. The government's policy toward these economic zones should be neither discriminatory and interfering nor preferential, instead of giving the foreign firms a lot of preferential treatment but interfering in many ways in their operations, as was the practice in the past, which not only overburdened the government but also tied the hands of the enterprises. Based on China's present conditions, Hainan Island, Shenzhen, the Zhujiang Delta, and their SEZs and development zones can gradually develop into this kind of export-oriented special economic zones dominated by foreign capital and guided by market prices. A small climate suitable for foreign capital to exist and develop can be created within these special economic zones, which can become the main bases for China to bring in and utilize foreign capital and windows for the entire country to open to the outside world.

3. *Improve the legal system and insure a secure political environment.* China's political situation is stable, but its legal system is inadequate. Some important economic laws and regulations for foreign business have not yet been enacted. For example, China has not signed an "investment protection agreement" with the United States, which is why U.S. investors do not have enough confidence and sense of security in China's investment climate. At present, Western transnational corporations still regard Mainland China as a high-risk area for investment, and China's international commercial credit rating is also very low. These conditions have a direct bearing on foreign investment in China. To make foreign businessmen invest in China without fear, China must improve its legal system and act strictly according to law, so that foreign enterprises can be guaranteed of security and laws to follow in their management and operations.

To sum up, the future prospects of U.S. investment in China will depend on a series of basic factors. A continued stable political relationship between China and the United States will provide the basic precondition for U.S. investment in China. The objective trend of growing U.S. investment in the Asian-Pacific region for years to come makes increased U.S. investment in Mainland China a possibility, and the basic condition to turn this possibility into a reality is the improvement of China's investment climate. If China will open up its domestic markets step by step, create a market economy environment suitable for foreign capital to develop, and improve its legal system, then more and more of the U.S. capital rushing to the Asian-Pacific region will flow into China.

Foreign Trade Grows Despite Tiananmen Incident

90OH0276A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese
No 52, 25 Dec 89 pp 12-13

[Article by Chu Min-tsai (4281 2404 2088): "Foreign Trade Will Continue To Forge Ahead"]

[Text] It has been six months since the "June 4 Incident." During the last six months, some Western governments have wontonly interfered in China's internal affairs and imposed so called "economic sanctions" upon China. They canceled, froze, and postponed official loans and aids and restricted technological exports to China, and they canceled insurance coverage for Chinese exports or raised the premium. All these man-made "sanctions" not only blocked the use of nearly \$10 billion in loans promised by foreign countries but also created temporary foreign economic relations and trade difficulties for China. Those who imposed the sanctions too suffered the consequences and compromised their own interests.

What are the effects of these "sanctions" on China? If one looks at the continuous and steady development of China's foreign trade, one will no doubt make the following conclusion: Whatever effects the "sanctions" have are temporary and partial; China's foreign trade is still growing steadily.

The Ministry of Foreign Economic Relations and Trade has business statistics that tell the whole story: Since June, foreign economic relations and trade, especially foreign exports, have been recovering by month after month. Last June set a monthly-export record for any June in history. July marked the end of the export slump; monthly export has been increasing since. By the end of October, the nation's accumulated exports topped \$34.79 billion, 3.9 percent more than last year for the same period. Meanwhile, the export product-mix also saw further improvement. There was further reduction in the export of rice, soybean, cotton, crude oil and other primarily products and significant increase in the export of machinery and electronic and other processed or manufactured goods. The accumulated imports were worth \$29.6 billion, two percent more than last year for the same period. The balance of payments from trade remains favorable, and the state's foreign exchange reserve has grown. The pertinent department announced that, up to September, China had \$14.2 billion in foreign exchange reserve, an increase of \$600 million in two months. Between January and October of this year, foreign loan agreements made available \$4.13 billion, which represents a decrease from last year, and the actual loan amount was \$4.88 billion, slightly more than last year for the same period. Absorption of foreign investments brought in 4,738 projects, 15.8 percent more than last year for the same period. They were worth \$4.737 billion as contracted, 24.3 percent higher than last year's figure, and actual investment came to \$2.255 billion, 24.1 percent more than last year's figure during the same period. They include 3,014 joint-ventures with a contract value of \$2.339 billion and \$1.308 billion in actual investment; they represent increases of 12.9 percent, 6.4 percent, and 36.7 percent, respectively. There were also 730 wholly foreign-owned enterprises with a proposed value of \$1.428 billion and \$214 million in actual investment; they represent increases of 251 percent, 234 percent, and 61 percent respectively. The remaining 993 were contractual joint-ventures worth \$964 million as contracted and \$554 million in actual investment; all figures represent reductions compared to the same period last year. Between January and September, contracted foreign projects and service cooperation agreements were worth \$1.48 billion, at par with last year's figure; the volume of business topped \$960 million, 10.8 percent more than last year for the same period. The export of technologies, foreign aid, and multilateral cooperation with the UN Development Planning Division also made progress.

China's foreign economic and trade activities went on as usual. The 10th Session on the Sino-Japanese Long-term Trade Agreement was held in November. That agreement was signed with the approval of the Chinese and Japanese governments in 1978; it carried a eight-year term and stipulated China's export of petroleum and coal to Japan in return for Japan's technologies, complete sets of equipment and construction apparatus; the bilateral trade was worth about \$10 billion to each side. In 1979, the two sides agreed in the "Summary of Minutes" to extend and expand that agreement to 1990 and agreed to export \$20-30 billion's worth of goods to each other over the next 13 years. The recent session was for exchanging views on the bilateral

petroleum, coal, and technology trade as agreed and on extending that agreement. Sources said that a Western financial group, consisting of the National Westminster Bank, two French banks, an Austrian bank, and Japan's Fuji Bank Ltd., has decided to resume lending money to China. They agreed in October of this year to jointly provide a \$96 million loan to China for the CAAC [General Administration of Civil Aviation of China] to import late-model American-made airplanes. In November, the Chinese-funded China Resources (Holding) Company in Hong Kong entered into agreement with five banks, including Chase Manhattan Bank, Banque Nationale De Paris, Banque Indosuez, and Hong Kong's Bank of East Asia, Ltd., successfully securing an international syndication loan worth \$50 million. Also in November, China entered into two agreements with the UN Industrial Development Organization: the Agreement Between the UN Industrial Development Organization and Beijing On an International Industrial Cooperation Center and the Trust Fund Agreement Between the Government of the PRC and the UN Industrial Development Organization. The establishment of the Cooperation Center will play a very positive role in promoting bilateral investments, especially foreign investments in China. At the end of August, China also entered into an economic and technological cooperation agreement and a 1989-1990 Trade Protocol with the Yemen Arab Republic. Two loan agreements signed between Holland and China in July have been approved by the two governments.

In the last six months, a series of major economic and trade talks, trade fairs, exhibitions, international fairs, and symposiums were held. Members of foreign industrial, commercial, entrepreneurial, and academic circles as well as government officials participated with great enthusiasm. In November of this year, the China International Exhibition Center put on the International Water Conservancy and Electric Power Show and four other exhibitions simultaneously. The Exhibition of the Accomplishments of Enterprises Utilizing Foreign Investments held in November displayed more than 850 products in 16 major categories and more than a hundred varieties produced by foreign-owned enterprises.

The Chinese Export Commodities Fairs play an important role in China's foreign trade. Business deals consummated at the spring and fall fairs account for about 25 percent of China's total exports. October's Autumn Trade Fair reflected the continuous development of China's foreign trade. Businessmen flocked to the fair; the atmosphere was very businesslike, and everything proceeded in an orderly fashion. Transactions concluded at the fair were worth \$5.53 billion, 5.8 percent more than what the deals at the Spring Trade Fair brought. Of the transactions concluded, exports to Hong Kong and Macao are worth as much as \$2.6 billion; exports to Japan exceed \$400 million; exports to the United States are worth more than \$470 million; exports to the Middle East are worth in excess of \$140 million, and exports to the EEC are worth more than \$600 million. Compared to the previous trade fair, exports to the Middle East have increased the most, a whopping 55 percent; exports to the United States have increased 41 percent;

exports to the EEC are worth 27 percent more, and exports to Hong Kong and Macao have increased slightly; exports to Japan have decreased by 13 percent. More than 36,000 people attended this trade fair; they came from 98 countries and regions. All the major and essential customers were present.

Foreign investors have always avoided investing in infrastructure, because that kind of investment characteristically is expensive and slow to generate return. Without great courage, few will dare to decide to make this sort of investment amid all the "sanctions." On 8 August, the Tianjin Development Zone's Land Bureau signed a conveyance giving MGM Corporation [of Tianjin] the right to develop a parcel of land 5.3 square kilometer in area. The deal is estimated to be worth \$3 billion. At the signing ceremony, M.G. Malekpour, MGM president and chairman of the board, said that he firmly believed that China's policy of opening up to the outside world is a long-term policy and that it will continue to expand in scope. This is indeed a farsighted and sagacious opinion.

MOFERT [Ministry of Foreign Economic Relations and Trade] officials said, China has a large real and potential market, a huge labor force, and substantial economic strength and technological base. Both from the point of its present conditions and future possibilities, China is an ideal economic and trading partner. China welcomes the commodities, capital, technologies, and services from any country or region to the Chinese market. It is also eager to develop economic and trade cooperation and interchange with all countries and regions of the world by offering her commodities, capital, technologies, and services. Today, more than 180 countries have fostered economic and trade relations with China. All these have laid a solid foundation for China's continued foreign economic and trade development.

From the point of international economic development, today's advanced economic, scientific, and technological developments and frequent information exchanges have linked all nations closer together. No country can pursue its own economic development by alienating the world, nor can it ignore the kind of global cooperation whereby the countries aid and benefit one another. This is an objective law independent of man's will. Thus, the Western nations' "economic sanctions" against China cannot last forever. Eventually, all sanctions must be abolished.

Expert Warns Against Increased Shipping Fraud

90OH0455C Shenyang LIAONING JINGJI BAO
in Chinese 18 Jan 90 p 3

["Expert Warns Foreign Enterprises To Guard Against Fraud; Focus of International Shipping Fraud Shifts Toward China"]

[Text] Zhang Tieju [1728 6993 7263], the chairman of the Chinese Maritime Law Association's Committee for the Prevention of Shipping Fraud stated during a press interview that there are signs that the focus of international shipping fraud in recent years has shifted toward China. The

number of instances of fraud during transport involving goods being imported by China has grown steadily higher since 1986, and the total value has also been climbing. He warned that it is necessary to take steps to guard against this phenomenon.

Zhang Tiejue, who is also the general manager of the Operations Department of the China People's Insurance Corporation, stated that his company has handled more than 20 claims involving this type of incident in the last four years, involving a total of \$40 million.

According to the statement, international shipping fraud cases cost trading companies billions of dollars per year. For a long time, the problem had been most severe in the Middle East.

Zhang Tiejue stated that there are now 6000 work units in China with authority to engage in foreign trade, and many of them are not yet aware of the potential damages of shipping fraud, and they need to become more alert. He said that methods commonly used by swindlers include: charging low freight rates and absconding with the goods; collecting freight fees and disappearing; creating counterfeit documents to collect money fraudulently; and conniving with ship crews to sink their ship deliberately in order to collect huge insurance payoffs.

Zhang Tiejue said that when Chinese corporations import or export goods, they should rely on commercial organs in consulates abroad and relevant chambers of commerce to check on the reliability and reputation of the seller and shipper, and Chinese corporations should make careful choices. In addition, he suggested that Chinese foreign trade corporations include rigorous clauses in contracts concerning the method of payment, class of ship, type of flag the ship flies, and shipping date in order to control the person who sends out the goods, thereby effectively avoiding the risk of being cheated.

Jiangsu To Increase Labor Exports to Gulf

44000244Z *Dubayy GULF NEWS*
in English 4 Mar 90 p 13

[Text] Jiangsu Province of China will focus on increasing manpower exports to the Gulf in addition to the conventional commodity and technology exports.

Lu Jian, deputy director of the Commission on Foreign Economic Relations and Trade of Jiangsu, said in Dubayy yesterday the province has a well-trained labour force. It has supplied manpower to Abu Dhabi and Kuwait, and will give priority to skilled labour exports to the region.

Lu Jian also said the province will set up a permanent representative office in the UAE. "The UAE accounts for \$14 million worth of business for Jiangsu. The office will look after that interest and also investigate the market for further business promotion."

Lu Jian was addressing the press after the opening of the China Jiangsu Export Commodities Fair by Sa'id Jum'ah al-Nabudah, president of the Dubayy Chamber of Commerce and Industry.

She said the six-day fair features products such as silk, textiles, ethnic handicrafts, animal byproducts, light industrial goods, foodstuffs, metals and ceramics from 11 import and export companies based in Jiangsu.

The fair has been organised for the first time in Dubayy and follows a successful exhibition in Kuwait from February 17 to 28. Lu Jian said the exhibition in Kuwait brought business worth \$20 million, "double the actual export volume to the country from the province in 1989."

Jiangsu began its trade with the UAE in 1975 with \$60,000 worth of exports. By 1989, volume rose to \$14 million. Total exports to the Gulf stood at \$40 million, 1.5 percent of total exports by the province.

Lu Jian said there is demand for Jiangsu silk garments, artificial fibres, textiles and light industrial products in the region. These are the products that the fair aims to promote.

Liaoning's 1989 Foreign Trade Performance

90OH0363A *Beijing GUOJI SHANGBAO in Chinese*
18 Jan 90 p 1

["Liaoning Province Sustains Stable Growth in Foreign Trade"]

[Text] The extraordinary efforts made by the cadres and employees of Liaoning's foreign trade system in 1989 enabled them to achieve some remarkable successes in foreign trade.

The growth in exports was sustained. Liaoning's foreign exports amounted to \$4.444 billion in 1989, 122 percent of the state plan. Exports of Liaoning local products came to \$2.12 billion, exceeding the state plan by 70 percent and a 12.4 percent increase compared to the same period in 1988.

The utilization of foreign investment was considerable. There were 441 projects of various categories approved for the direct utilization of foreign investment in the amount of \$1.04 billion. Of these projects, 270 received direct investments from foreign businesses in the amount of \$650 million. Compared with the same period in 1988, these constituted increases of 1.8 percent and 7.4 percent, respectively.

Technical exports achieved new breakthroughs while the introduction of technology was held back. There were 74 new contracts signed for technical exports, amounting to \$70.54 million, more than a four-fold increase compared with 1988. Compared with 1988, relatively large breakthroughs were made in exports of software and production line technology. The introduction of technology was brought under control, declining 70 percent compared

with 1988. Foreign engineering contracts and the export of labor showed prominent results. There were 119 new engineering contracts signed, amounting \$120 million, a 2.38-fold increase compared with 1988. People sent abroad for labor services numbered 10,910, a 3.19-fold increase compared with 1988.

Liaoning's foreign trade work was characterized by the following features in 1989:

1. Faced with numerous difficulties, foreign exports, which during the first half of 1989 still were still in a precipitous decline, began in the last half of the year to grow. The state plan for the export of local products was fulfilled five months in advance and, for the first time, broke the barrier of \$2 billion, setting an all-time record high.

2. Several aspects of foreign trade work were in the front ranks nationally. Liaoning was third in the country in volume of exports shipped from its ports; first in utilizing foreign government loans; third in total number of three kinds of partially or wholly foreign-owned enterprises that have been initiated—which now number 747; and second in the number and monetary value of contracts for technical exports.

3. Liaoning's increase in the export of local products is attributed mainly to the relatively large growth in Shenyang and Dalian, which was more than 30 percent compared with 1988.

4. There has been a remarkable increase in the number of direct investments by foreign businesses, with a tendency for them to become increasingly more rational. The proportion of investment in heavy industry has risen 10 percent, and special large projects exceeding 100 million yuan have appeared.

5. Enterprises receiving investments from foreign businesses—which operate with relatively high economic efficiency—have greatly increased exports that produce foreign exchange. By the end of 1989, there were 325 three kinds of partially or wholly foreign-owned enterprises completed and in operation. Their output value was 1.4 billion yuan, profit taxes 200 million yuan, and foreign exchange earnings \$120 million, a more than one-fold increase compared with 1988, thereby achieving a balance in foreign exchange.

The major reason for the good indications that Liaoning has the capability to sustain steady foreign trade growth is the vigorous pursuit by the provincial party committee and the provincial government of an economic strategy to take advantage of the opening to the outside and foreign trade. Second, the constant perfection of the foreign trade administrative system has inspired enthusiasm for all aspects of exports that earn foreign exchange. Third, conscientiously rectifying foreign trade companies created excellent conditions for exports that earn foreign exchange. Fourth, we have adhered to the policy of "double growth and double economy," fully utilized warehouse inventories, lowered expenses, and

invigorated administration. According to incomplete statistics, by fully utilizing warehouse inventories throughout the province, approximately 150 million yuan in foreign trade funds were resolved. Fifth, we had the vigorous support and full cooperation of all departments concerned. Departments responsible for banking, customs, commodity inspection, insurance, and foreign transport; as well as the links in the chain of enterprise production responsible for purchasing, supplying materials, storing reserves, making shipments, providing funds, and making commodity inspections, have closely cooperated and acted in concert with the foreign trade departments, thus creating excellent conditions for foreign trade.

Liaoning Surpasses Foreign Trade Target

90OH0455A Shenyang LIAONING JINGJI BAO
in Chinese 18 Jan 90 p 1

[Article by Bi Fujian (3968 1788 0256): "Liaoning Province's Foreign Trade Posts Continued"]

[Excerpts] In 1989, Liaoning Province's foreign trade posted significant successes in spite of the fact that it had to face a serious shortage of funds, insufficient export product resources, tight supplies of energy resources and raw materials, soaring costs, and the impact of "the two turmoils." [passage omitted]

Last year, the Provincial Party Committee and the provincial government made it a point of strategy to firmly grasp the work of opening up to the outside world, as well as their work with foreign trade. The main leaders went to various cities in the Liaodong Peninsula, where they carried out their work in situ. They concentrated on solving concrete problems connected with the establishment of the outwardly oriented economy. They called meetings to discuss technical aspects of the export of textile products and electrical machinery, thereby further advancing exports of light textiles and electrical machinery. Departments at every level dealing with foreign economic relations and trade are doing everything they can to open up international markets and expand sales. At the beginning of the year, the Liaoning Province International Conference on Economic and Technological Cooperation and Commodity Exports was held in Hong Kong, at which time a total of \$400 million worth of deals were made. Particularly after the riots and counterrevolutionary rebellion occurred in Beijing, in the face of so-called sanctions from several countries, the great masses of cadres, workers, and staff throughout the entire province's foreign economic relations and trade system, in a highly patriotic spirit, did not fear the sanctions. They worked hard to expand opportunities and overcome difficulties. They aggressively struck back. In order to open up markets and find new clients, they used exhibitions, conferences, fairs for inspection of samples and ordering of products, and symposia. At the same time, they successfully organized the "Little Trade Fair" in Dalian.

Last year, Liaoning Province continually perfected its system of foreign trade management, and brought into play the enthusiasm of various parties for exporting and earning foreign exchange. Export companies which do foreign trade in many different ways have been set up at the provincial level, at the municipal level in Shenyang and Dalian, and in enterprises engaged in foreign trade, industrial trade, and local trade, as well as some large and medium-sized enterprises which have export autonomy. This has forcefully advanced the development of foreign economic relations and trade. At the same time, they also implemented a method of operation in which the state plan for foreign trade and exports is contracted out to foreign trade companies and the various municipalities on the basis of foreign exchange earnings on exports and on purchases of two-way contracting. The contract responsibility system has been implemented at every level, and the enthusiasm of foreign trade enterprises and export producing enterprises has been brought into play.

Last year, foreign trade companies throughout the province resolutely upheld the "two growth, two savings" program. Inventories were cleared out to tap their potential, and expenses were cut, resulting in a savings of \$150 million. Some foreign trade companies also took other aggressive measures, such as issuing bonds, to raise more funds and alleviate the shortage of funds.

Annual Report on Shandong's Foreign Trade

90OH0455B Jinan DAZHONG RIBAO in Chinese
24 Jan 90 p 1

[Article by DAZHONG RIBAO reporter: "Shandong Province's Foreign Economic Relations and Trade Achieve Steady Development"]

[Text] Shandong province's foreign economic relations and trade developed steadily in 1989 and maintained its healthy momentum.

Last year, Shandong's foreign economic relations and trade encountered unprecedented difficulties. Leaders at every level throughout the province earnestly carried out the programs of streamlining and rectification, and deepening of reforms. They unwaveringly advanced the cause of opening up to the outside world, and assured continued, steady, and coordinated development of the outwardly oriented economy. When the riots and Beijing's counterrevolutionary rebellion were occurring, the great masses of cadres, workers, and staff on the foreign economic relations and trade front remained resolutely at their posts, whether in China or abroad, withstood the political test, and assured normal dealings with the outside world. After the counterrevolutionary rebellion was put down, Shandong participated on schedule in exhibits in Hamburg, West Germany and Singapore, and reaped excellent political and economic gains. After the counterrevolutionary rebellion was put down, many foreign firms lost confidence about engaging in cooperative production with China, which affected the functioning of foreign economic relations and trade. To deal with

this situation, the relevant provincial departments and every municipality and district took advantage of every opportunity to vigorously publicize China's steadfast adherence to the program of reform and opening up, and they let people know about Shandong's stable political situation and excellent investment climate. They aggressively took the offensive by linking up with a broad range of people, consolidating ties with old clients, and developing a group of new clients. In order to deal with several realities (including the scaling down by the state of some large-volume export commodity plans, rising procurement prices for export commodities, and short supplies of foreign trade working funds), the Provincial Party Committee and the provincial government formulated policies and regulations in a timely manner which greatly strengthened the overall ability of export enterprises to raise funds, effectively prevented procurement "wars" over several important export commodities, and turned around the export slump of the first few months of last year. In the area of utilization of foreign funds, Shandong, in accordance with state enterprise policies, has evaluated and approved good projects, further guided and adjusted the direction in which foreign funds flow, and vigorously developed projects which involved mergers of old enterprises as well as those which involved exports and foreign exchange earnings. They used many methods and channels to bring in foreign funds. At the same time, services and management for foreign investment enterprises (FIE's) were raised to a new level.

Last year, Shandong's exports earned \$3.05 billion, an increase of 2.4 percent over 1988. A total of 485 contracts involving use of foreign funds were signed during the year, and their combined value was \$553 million. The amount of foreign funds actually used reached \$315 million. Loans from foreign governments were used to sign \$195 million worth of contracts, and \$99 million were actually used. These figures were, respectively, 5.8 times and 36.6 times higher than in 1988. A total of 240 FIE's were approved during the year, of which over 95 percent were engaged in manufacturing. Over 80 percent were engaged in exports and advanced technology, and over 70 percent involved the merger of old enterprises. During the year, FIE's actually used \$131 million, 4.36 times more than in 1988. A total of 252 enterprises began production for the first time in 1989, as opposed to 115 in 1988. A total of 75.71 million yuan in taxes were collected, and foreign exchange earnings and earnings on foreign exchange business reached \$92.94 million. These figures were 2.26 and 3.1 times higher than in 1988.

There was new development of economic and technological cooperation with the outside world. There were 45 new contracts signed involving construction projects abroad done on contract by the Chinese and labor cooperation. The total monetary value of the contracts was \$24.47 million, 4.87 times higher than in 1988. There was a total of 39 enterprises (and organs) engaged in foreign economic relations and trade, and they did a

total of \$286 million worth of business. The 63 projects currently underway which receive nonreimbursable international aid received \$50.80 million.

The economic development districts in Qingdao and Yantai have progressed from eating up inputs to providing returns, thus entering upon a period of development. The investment climate is getting better all the time. A total of 245 import and domestically coordinated projects were established, and 132 enterprises began production. Their output value last year was 399 million yuan, they turned over 63.78 million yuan in taxes, and they earned \$48.03 million in foreign exchange.

Successful Foreign Investment in Shanghai

*HK0503120390 Beijing GUOJI SHANGBAO in Chinese
8 Feb 90 p 1*

["Foreign Investment in Shanghai Scored the Most Successful Results in the Whole of China"]

[Text]It has been learned that the success rate of foreign businessmen who invest in Shanghai has topped 98 percent, making the municipality rank first nationwide.

To date, Shanghai has approved 709 foreign investment projects, of which there are already 238 of the three kinds of partially or wholly-owned enterprises that have begun operations; between 85 percent and 90 percent of the products of hi-tech industrial enterprises in operation are at or near international levels of comparable products.

Since the Shanghai Lifts Company under the Zhongxun Company, the first Sino-foreign industrial joint venture, was initiated in 1980, some world-famous conglomerates have come to Shanghai to seek cooperation. As a result, many joint ventures have been founded, including United Woolen Textiles, Volkswagenwerk, Yichu [2496 0443] Motorcycle, Shanghai Foxboro, Yaohua-Pilkington Glassworks, Squibb Pharmaceutical Works, and Schindler Lifts. In 1989, the industrial output value of Shanghai's three kinds of partially or wholly-owned enterprises accounted for three percent of the city's gross industrial output value. Of the "10 best" production-type joint ventures appraised for the first time in China, six Shanghai joint ventures, including Volkswagenwerk Ltd., won the title "Best Joint Venture in China."

Many foreign invested enterprises [FIE's], partially or wholly foreign-owned, have achieved remarkable economic results themselves. The Shanghai Elevator Factory under the Zhongxun Company formed a joint venture with Switzerland's Schindler Company; consequently, the Shanghai Elevator Company swiftly approached 1980's international standards. Presently this joint venture can turn out products of 60-some specifications of computerized automatic elevators, escalators, and automatic pedestrian-conveyors. The Sino-U.S. joint venture, Shanghai Squibb Pharmaceutical Company Ltd., runs the factory strictly with international modern management techniques

and technology. Its production has always been in accordance with GMP [General Manufacturing Practice] pharmaceutical standards promulgated by the United Nations. The company obtained a Canadian HPB certificate in 1988, and a certificate from the United States' FDA in September 1989. It has become China's first pharmaceutical factory to export Chinese medicine to U.S. and West European pharmaceuticals markets. In 1988, it exported 1.2 million mikeding [4717 0668 1353] pills to Canada for the first time. In September 1989, Mr. (Conroy) [kang le ai 1660 2867 1002], general manager on the U.S. side, announced that U.S. Squibb Headquarters had proposed extending the term of the Shanghai-Squibb joint venture from 15 to 50 years, and would increase its investment by \$4 million. It is planned that by 1994, the sales volume will be three-fold that of 1989. **** Currently the largest farming and herding joint venture in China is the Shanghai Dajiang Company. Fourteen projects with modern equipment have been founded in less than two years. The company has supplied 240,000 sets of parent-species, and some 2.9 million eggs of poultry and hybrid chicken for reproduction in Shanghai and more than 20 provinces and regions across the country, along with some 3,400 tons of high-quality fodder; in addition, it has made major inroads into the world market, with exports of 6,000 tons of various products, bringing in some \$8 million, which accounted for 80 percent of the Shanghai Foodstuffs Import and Export Company's exports of meat and poultry.

Many of Shanghai's FIE's have scored marked economic results themselves. In the course of domesticizing production of Santana automobiles, the Shanghai Volkswagenwerk imported such advanced technologies as engine-manufacturing, spray lacquering, and soldering. This has upgraded the level of Shanghai's car industry by 30 years, and advanced the technological transformation and renovation of many enterprises. Their role in spreading high technology has benefitted 126 factories and scientific research institutes nationwide.

Today, Shanghai has become a hot spot for foreign investment. For example, the once-desolate Shanghai Minhang Economic Development Zone now has 51 Sino-foreign joint ventures, with investors from 10 countries and regions such as the U.S., Japan, the United Kingdom, and Hong Kong. Not long ago, one of the United States' largest real estate companies, the (Crowe) [ke luo 0344 5012] Group, decided to build a wholly-owned, modern, large-type world trade center in the Hongqiao Economic Development Zone. In the wake of 14 joint ventures being set up in Caohejing Hi-Tech Development Zone, some 10 foreign businessmen have come here to talk over their investment intentions. Pudong, Jiading, and Chongming Island, which Shanghai will continue to develop and build, have attracted visits from many foreign entrepreneurs, who expressed their investment intentions. Recently, a dozen or so Sino-foreign joint ventures, including the Shanghai Universal Toy Company Ltd., the Shanghai Foxboro Company Ltd., and the Shanghai Yichu Motorcycle

Company Ltd., have announced plans to increase their overall investments and expand operations.

ECONOMIC ZONES

Assessment of Shenzhen Prospects, Role in Reform

90OH0341A Hong Kong WEN WEI PO in Chinese
7-11 Jan 90

[Article by Li Yi-chung (2621 0001 0022): "Shenzhen, Where Is the Way Out?"]

[Text] Recently the press has been reporting that Party and government leaders have repeatedly demanded that the Shenzhen Special Economic Zone (SEZ) "further the policies of reform and opening," and at the beginning of December, when Deputy Chairman Wang Chen [3769 7201] inspected the Zhuhai SEZ, he repeatedly emphasized that "the special economic zones must have even more reform and be even more open."

Words like "even more" and "further" do not indicate regression, nor do they indicate stopping and not going forward or standing still and refusing to make progress. It is necessary through further reform and opening, to accelerate the administrative reorganization of the SEZs and the development of social productive forces. Administrative reorganization and the development of social productive forces are also beneficial to furthering the reform and the opening of the SEZs, beneficial to furthering the development of the SEZs and to properly handling this progress. Reform and opening requires a more developed way of thinking, which should become the main guiding ideology for the entire Shenzhen SEZ.

At the appropriate time, people will be discussing the reform and opening of Shenzhen along with its future course, in a legislative assembly.

Concerns and Hopes

SEZs are the proving grounds of the country's reform and opening policies. After the establishment of 14 open cities and several coastal open zones, particularly the establishment of Hainan Island as a province, whereby policy provisions even more "special" than those of the SEZs have been implemented, the special treatment afforded to the SEZs seems to be progressing towards being reclaimed, and Party and government documents one after another emphasize that the "SEZs are not the exception." A Shenzhen that has gone from being "preferential" to becoming "run of the mill" will gradually fade in the competition. The following concerns about Shenzhen's eventual status have been expressed:

- Will Shenzhen be able to return to its special status before the reform and opening policies, or will it ultimately be regarded as a ordinary sea port city?
- Shenzhen borders on Hong Kong, and enjoys exceptional advantages in terms of geographical location

and climate, as well as having laid a foundation of ten years of reform and opening. Perhaps there is a firm belief that reform will not "stop," that the policy of opening will still continue on, that foreign capital will continue to be invested, and that the economy will mature and will maintain its high growth rate. However, between the two issues of maintaining the policies of openness and reform and development of the economy, due to the continuing deepening of the reform and opening policies for the whole country, the function of a "pace setter" will become more and more difficult to bring into full play. In addition, there is some danger in furthering the policies of reform and opening. When doing a comparison, for economic development it is possible to see "instant results" and hence to be "eager for quick success and instant benefit." Therefore, there is the possibility of the emergence of a slackening in the pace of reform and opening and the expenditure of substantial effort in stressing the aspect of economic maturity. Some people had predicted that Shenzhen would ultimately only become a relatively developed, relatively prosperous, and relatively modernized border city.

- There should be a understanding between the Party and state concerning the general and specific policies on the reform, the opening up, and the handling of an SEZs' economy, in light of their original intention in setting up an SEZ in Shenzhen and on the basis of having already obtained tremendous success. There should also be further reform and opening, under a situation in which the scope and the depth of the reform and opening for the whole country can be continuously deepened. If there is to be still further reform and further opening, will it make Shenzhen a true SEZ with a policy of "opening the first line, while strictly controlling the second line" (the first line being the factory and production and the second line administration, sales, and so forth.)? Will the policy of "what does not go out of the first line is not called an export, what does not enter the second line is not called an import" be maintained? Can Shenzhen then jump out of the present system being carried out in the inland by operating in accordance with the international practice, giving full play to its "showcase" and "pivotal" role as a true SEZ?

The Third Way Out

The three options described above embody the concerns, conjectures, and hopes of the people of Shenzhen concerning their future.

Party and state leaders in their discussions concerning the fact that the SEZs must "take a step further of reform and opening up" and the "furthering of the reform and the opening," have clearly pointed the way forward for Shenzhen: the first option is unrealistic and impossible; retrogression is not the future, and is the cause of groundless worries and anxiety. The second option is possible; one by relying on policy, two by the advantageous geography and climate, three by the ten-year

foundation plus a continuous hard work in economic construction to attain greater achievement than the interior. However, this is not in keeping with the spirit of the "taking a step further of reform and opening up" and the "furthering of the reform and the opening." The Party and state, in setting up a special economic zone in Shenzhen, by no means did this merely to strengthen a new city. The partiality to economic maturation and the neglect of reform and opening make the present stage in the Shenzhen SEZ one fraught with uncertainty. It is only the third option which is more or less in accord with the guiding spirit of the Party and government leadership, and is the one option to which people look forward. The Shenzhen special economic zone, in upholding the four cardinal principles [upholding the socialist road, the people's democratic dictatorship, the leadership of the CCP, and Marxism-Leninism-Mao Zedong Thought] and the major premise of maintaining its socialist character, and in fully implementing the set of general and specific policies since the Third Plenary Session of the 11th CPC Central Committee, is persisting in an unremitting effort to make the construction of Shenzhen into a process of furthering reform and furthering opening, not only rapidly developing economic maturity, but also leading the other SEZs in creating a new economic system and in becoming a special economic zone with distinct Chinese socialist characteristics.

In the past ten years, the Shenzhen SEZ has achieved tremendous success in terms of reform and opening. In the administration of capital construction works, the compensatory transfer of land use rights, labor and personnel systems, the financial management system, and others, Shenzhen has carried out highly effective studies and reform and played a leading role. However, in the spirit of "furthering," if Shenzhen is used only as an "experimental ground" for the reform and opening of the whole country, reforming what the interior reforms without setting Shenzhen's own goal and mode of operation, as if "stepping on the watermelon rind and slipping to wherever one lands," it would be difficult to set its own economic system in the SEZ. Since the establishment of the special economic zones, as a result of the earnest and repeated deliberations of experts and scholars from all over the country, an "external-oriented" approach was taken as Shenzhen's development goal and mode of operation. This approach had played an important role of making the jump from theory to implementation of reform and opening. It should be said that it is undoubtedly necessary and correct for the SEZs coming out of the old, closed system, to look to the "external-oriented" approach as their economic goal and to further the reform and opening evolving such goal. However, in accordance with the continuous deepening development of the reform and opening situation throughout the whole country, from all the SEZs and open cities down to the many open areas and enterprises within the country, after they have all taken the "external-oriented" approach as their economic model, the Shenzhen SEZ

still stays with this same common model. Hence, it is very difficult for Shenzhen to further promote reform and opening.

Target and Model

In promoting reform and opening, the Shenzhen SEZ should set its own very clear goal and target model. At present, there are over 600 special economic type zones: there are free ports, free trade zones, export processing zones, free border zones, protective tariff industrial zones, scientific industrial zones, duty-free zones, etc. all of which are called special economic-type zones. Each of these special economic zones not only has a specific name, but also a specific policy intention and concrete economic model. The special economic zone is an invention and creation of the capitalist countries, and since a socialist China can obtain patents and establish socialist special economic zones, we agree that it is possible to establish socialist SEZs, and have free ports, free trade zones, export processing zones, duty free zones, etc., with special Chinese characteristics.

(Li I-Chung is a standing committee member and Deputy Secretary-General of the National Hong Kong-Macao Economic Research Committee, Head of the Hong Kong-Macao Economic Department of the Shenzhen SEZ Policy Research Office, and Deputy Department Head of the Shenzhen People's Government Fut'ien 4395 3944 International Industrial Village Organization)

[8 Jan 90 p 1]

[Text] Should the goal and the model of the Shenzhen SEZ for furthering reform and opening be similar to the existing "free port" Hong Kong or an "interior Hong Kong"? Two years ago, on an occasion when comrade Deng Xiaoping met with some foreign guests, he said: "Now, there is not only one Hong Kong, in the interior of China we must create many Hong Kongs." After the events of June 4, comrade Deng, in a discussion with Party and government leaders, again pointed out that "the reform groups and opening groups must understand some of the facts concerning opening up. I have spoken in the past of the need for establishing many Hong Kongs, and this means that we must be even more open than in the past, as without opening up, development cannot occur." There is a very clear intent linking the most recent discussion by the party and government leadership that Shenzhen must "promote reform and opening" and "go still further in reform and opening" with Deng's injunction to "create interior Hong Kongs." The Shenzhen SEZ, which enjoys a special relationship with Hong Kong, should raise the banner of "creating interior Hong Kongs," and through the promotion and still further promotion of reform and opening, become the first "interior Hong Kong." The implications of the statement "we must create many interior Hong Kongs," are very profound. It shows the importance of Hong Kong vis-a-vis the internal reform and opening of China and points to the necessity of implementing the "one

country two systems" and "no change [in the social system of Hong Kong] for 50 years" policies. One Hong Kong is not enough, there is a need to "create" more. The "interior" Hong Kongs that we must "create" must not be copied mechanically or borrowed completely, nor should there be so-called "Hong Kongization." The circumstance whereby Shenzhen is the first to raise the banner for creating interior Hong Kongs and to construct the first interior Hong Kong has major implications not only in terms of the other areas which have the conditions for becoming an interior Hong Kong, but also in terms of the promotion of reform and opening throughout the country. It is also important in terms of the stability and prosperity of Hong Kong and for the return of Taiwan to the motherland, as well as for the implementation of the "one country two systems" policy.

A Free Port With Chinese Characteristics

Hong Kong, an internationally recognized economic jewel in the capitalist system, is among the most developed areas in the modern capitalist commodity economy. An extremely small area of land without resources, it has surprisingly risen to become a center of international trade, industry, finance, shipping, tourism, and communication. The reason that the economy of Hong Kong has been able to achieve such great success involves many internal and external factors and complex historical conditions, such as the excellent investment environment, lenient free economic market policies, a large pool of talented people with special skills and the friendly support of China's interior. Among these many factors there are two major ones which possess special significance. The first is the international character of Hong Kong's economy, the international standing of Hong Kong's economy and its completely integrated relationship with the world economy; the second is the free nature of Hong Kong's economy as Hong Kong practices extremely liberal economic policies. The international character and liberal nature of Hong Kong's economy are its two major lifelines. Take away these two major lifelines and there would be no Hong Kong economy to speak of. However, among the international character and liberal nature of the economy, its liberal (unrestricted) nature is the core. Hong Kong is generally considered to be the "display window" of the world's free economy. The liberal nature of Hong Kong's economy promotes and supports the international character of the economy. The international character of Hong Kong's economy requires that Hong Kong provide ever more and ever greater degrees of freedom. The liberal nature of the economy is centrally manifested in the following: 1) towards economic management, the government of Hong Kong adopts relatively lenient and positive noninterventionist policies; 2) the Hong Kong district adopts fundamentally liberal tariff policies; 3) a sound legal system protects the freedom and fair competition of each enterprise in the market; 4) the economic foundation established on the basis of the liberal policies

mentioned above occupies an absolutely dominant position within the developed commodity economy in Hong Kong society. The "free port"—this is a unique economic model of Hong Kong.

The type of interior Hong Kong that Shenzhen must establish is similar to Hong Kong but will differ in that it will be a socialist free port. Of course, any of the many types of special economic-type zones in the world can only be special economic zones with political systems that belong to that of the political system of the host country. For this reason, the internal Hong Kong that Shenzhen must "create", also can only be a free port that is socialist, has Chinese characteristics, and is similar to the Hong Kong model.

[9 Jan 90 p 4]

[Text] The Shenzhen SEZ, taking the free-port Hong Kong as its model, as it promotes reform and opening, should operate in terms of the economic categories of the international character and liberal nature of the free port, and in particular should work vigorously on the aspect of a liberal economic nature. In referring to the Hong Kong model, the major areas of opening should involve some of the "freedoms" listed below.

Liberal Investment In Foreign Trade

—Liberal policies for foreign investment. The city government can have investment criteria, which include guidelines on investment priorities and the desired level of capital and technology, and realistically implement macroeconomic policies. In addition to this, investors should not be subjected to restrictions imposed by the social system, the government, race and capital, and should be able on their own initiative to select industrial categories, projects and scales of investment, to freely decide on the direction for capital investment, to have externally-oriented construction and investment projects, while avoiding the "cage" of state planning, thus genuinely bringing about a situation where foreign investment (the three kinds of foreign invested enterprises) [joint ventures, contractual joint ventures, and wholly foreign owned ventures] is taken as primary, a market economy is taken as the foundation, and the market mechanism is taken as the driving force, making Shenzhen into a genuine free investment zone;

—Liberal policies for international trade. The city government, in addition to strictly prohibiting engagement in the production of a small number of specialized commodities and restricting products for domestic consumption, can also, in dealing with production, trade, and pricing for the international market, handle matters according to international standards, be completely open, not subject businesses to state quotas, state permit, and price controls. It should open the special zone's commodity, capital, land, labor, information and transportation markets. It should progressively increase the international

status of the SEZs' economy, strengthen relations with the international markets and participate in the great international economic circle, making Shenzhen into a genuine free trade zone;

Open the First Line, Tightly Manage the Second Line

—Liberalize first line tariff policies. The state should strictly control and collect tariffs for a small number of specialized commodities. In addition to this, all products which pass in and out of the port (including production goods and materials and means of livelihood) should be exempt from tariffs, there should be a free flow of foreign exchange, and personnel (including local government officials and commercial personnel in the SEZ) should be free to come and go. The policy of "opening the first line, tightly managing the second line," should be truly implemented, so as to make Shenzhen into a genuine duty-free zone;

—Liberalize administration and management. The city government should exercise economic legislative power and conduct essential administration according to the law. In addition to this, all enterprises should be fully independent and equal commodity producers and managers, their operations should be done according to international practice, and they should enjoy maximum autonomy in the areas of administration and management. The city government should ensure freedom for various types of systems of ownership for enterprises and fair competition, and establish a new order for the commodity economy. This would make Shenzhen genuinely become a "proving ground" with a commodity economy managed and administered according to international practice.

A Relatively Independent SEZ Government

The progressive establishment of a free economic system will certainly have an effect on the economic managerial functions of governmental departments and on the reform of certain aspects of the political system. In supporting the establishment and operations of a "free port", the government of the SEZ, under the major premise of upholding the four cardinal principles and no infringement of sovereignty, should also define the goals and the content of reform in terms of the political system: 1) the establishment of a comparatively independent SEZ government that is directly responsible to the central government, which enjoys a high degree of autonomy and corresponding legislative power in terms of macroregulation and control of the commodity economy; 2) the establishment and perfection of the legal system required for a socialist free port economy; 3) the implementation of positive non-interventionist policies vis-a-vis the economy similar to those of the Hong Kong government; 4) a thoroughgoing rooting out of corruption and the promotion of honesty and uprightness in government, punishment of corrupt officials, the establishment of a set of capable and vigorous, honest and clean and highly efficient administrative agencies and contingents of public officials, etc.

The creation of interior Hong Kongs, and the establishment of free ports modelled after Hong Kong is a formidable and complex systematic process. It is a little like trying to sit on a moving vehicle and take your seat in one step, it is neither practical nor possible. The author believes that with ample preparation and steady forward progress, the seat can be reached in a step by step manner. First of all, ample discussion and debate among experts and scholars should be organized on how to go from theory to practice, then a concrete (specific) plan of implementation should be formulated. Second, it is necessary to organically link administrative reorganization and the furtherance of reform and opening up, and take the country's fixed three year time period for administrative reorganization as the preparatory period for creating an interior Hong Kong in Shenzhen. This includes the formulation of the relevant laws and regulations, the removal of various obstacles to reform, the creation of the good environment required for a free port and the perfection of the implementation plan. Third, at the beginning of the 1990s, several small scale "advance points" should be set up which come close to having the character of free port duty-free zones. The author has already sent a letter to the city leadership in which he suggested turning the Shatan protective tariff zone into a "small duty-free zone" within the SEZ, turning the Futian International Industrial Village into a "free investment zone" or "free border zone," and setting up the trial implementation of a free port policy for the airport currently under construction and the Yantian Port, so as to be able to use the experience of selected "points" to promote and spread change over the entire zone, gradually building the Shenzhen SEZ into a comprehensive and multi-functional free port modelled on Hong Kong.

Shenzhen Can Become a "Hong Kong"

There is no need to say any more than that the Shenzhen SEZ is the place that possesses nearly all the conditions for the creation of an interior Hong Kong. If the Chinese government can set up and properly handle a socialist special economic zone in Shenzhen, then in a similar manner it can set up and properly handle a free port modelled on Hong Kong in Shenzhen. Just this fact was pointed out in a Hong Kong newspaper editorial entitled "China Needs Many Hong Kongs", which pointed out that: "the interior of China not only can have many Hong Kongs, but in addition these "Hong Kongs" will also be superior to the present Hong Kong."

[10 Jan 90 p 2]

[Text] Recently, the author has learned from the parties concerned that the responsible departments of the city government are preparing to select several locations to serve as advance points for furtherance of reform and opening in the Shenzhen SEZ. The heartening news keeps pouring in.

In association with this, the author has recommended that the Fut'ien International Industrial Village serve as

a testing ground for the creation of an interior Hong Kong out of the Shenzhen SEZ.

Investment and Management Wholly from Western Businesses

The geographical position of the proposed Shenzhen SEZ Futian International Industrial Village is very special: it is located on the southernmost tip of the Shenzhen SEZ. To the east rises the Luomazhou [5507 7456 3166] Main Bridge, to the west is the Xinzhou River (adjacent to the Red Forestry Nature Protection Area), the south borders on the banks of the Shenzhen River and to the north the village abuts the Hong Kong-Shenzhen-Zhuhai express highway. The total area is 1.67 square kilometers and it is separated from Hong Kong's New Territories by a narrow strip of water. It is possible to directly enter the closed off nature area from the Luoma Main Bridge. The investment and development methods of the village are also very special: all the economic type special zones in the world receive investment and development assistance from the host country itself. The Futian International Industrial Village on the other hand, will obtain investment development and administration wholly from foreign businesses. Due to the fact that it is the "prime real estate" in the Shenzhen SEZ, foreign businesses have been pouring in and competing with one another to get in. Currently stepping up the pace of negotiations are such investors and developers as Hong Kong's Mr. Li Chia-cheng [2621 0857 6134] and the Fang Hsian-yang [2455 7359 2799] Group. The main conditions for cooperation are that the investors provide all the capital and then have full powers of development and management. Except for the administration of customs and frontier defense, which is subordinate to the city government, in terms of handling operations, foreign investment is attracted by other foreign capital and foreign businesses are managed by foreign businesses. The functional design of the Industrial Village is also very special, as in addition to stressing the introduction of advanced and modernized enterprises, special prominence is given to the word "international." The investors are all from Hong Kong and Taiwan, as well as businessmen from all over the world, the products are all sold on the international market, and operations are done in full compliance with international practice, truly making Futian an "international" industrial village with close links to the international marketplace.

A Fully Closed Type of Management Structure

In order to successfully run an experimental setup like the Futian International Industrial Village, it appears that the SEZ government should create an investment climate in the industrial village that is even more special than that in the Shenzhen SEZ itself.

First, it should be an area that is fully closed off from direct customs supervision and management. The present location of the Industrial village is already separated from the Shenzhen River and the express highway

and border, forming a naturally enclosed condition. In order to create a good environment for "even further reform and even further opening," the program plan provides for: 1) following the practice of other economic type special zones, a fence has been set up along the map of the industrial village (a red line), implementing an even stricter closing off; 2) for the convenience of foreign businessmen they will have "free entry and exit," a special use thoroughfare will be constructed joining the Luomazhou Main Bridge so that it will be possible to directly enter the Industrial Village from Hong Kong passing over the Luomazhou Main Bridge; 3) connecting the Industrial Village with the hinterland of Shenzhen will be a certain number of strictly managed "openings," to supply the relevant special use clocked-in vehicles and staff. The Industrial Village will really form a fully enclosed type management structure with "opening the first line, and strict management of the second line."

A "Free Border Zone" Policy

Second, it should implement a policy that is similar to a international "free border zone":

—The protective tariff policies currently in effect in the Shatan Protective Tariff Industrial Zone should be fully applied to the Industrial Village, and there should be progressive simplification of the inspection and administrative procedures. For customs, in addition to a simple inspection conducted at the inspection station established at the opening for directly entering the Industrial Village from the Luomazhou Main Bridge, there is a major change of direction for enterprise supervision and management under strictly closed off conditions. This means that the first line of the port is basically open. Personnel, goods and materials and transport vehicles come and go freely, while the second line is strictly managed;

Planning the Trial Run for Becoming a "Duty-Free Zone"

—Put together and use the currently relevant preferential tariff policies to experimentally run a "duty-free zone" in the Industrial Village. At present, duty-free goods entering and leaving from the first line port of the Shenzhen SEZ include: 1) machinery and equipment, spare parts, raw and processed materials, means of transport and other means of production which are imported to meet the production requirements of SEZ enterprises; 2) a reasonable quantity of imported office equipment, office use materials and items for daily use for the personal use of SEZ organizations and institutions and SEZ enterprises; 3) high-quality (luxury) consumer goods brought into the SEZ on a one-time basis after a foreign employee has purchased property there; 4) imported products of an already opened market for means of production; 5) foreign exchange commodities handled by duty-free corporations; 6) products produced by the SEZ itself for export to Hong Kong or the international market, etc. Due to the fact that the Futian International Industrial

Park is a fully closed off customs directly supervisory and administration zone, the "second line" is strictly managed. In the Industrial Village, except for the supplying of workers and staff with simple daily use items, the city government can also strictly prohibit the Industrial Village market from handling electrical appliances and other luxury consumer goods. Therefore, if in putting together the preferential tariff policies currently in effect in the Shenzhen SEZ and using them in the Industrial Village, simple procedures that avoid the current procedure of requesting authorization are added, and some measures which further reform and opening are adopted, it will be fully possible to make the Industrial Village into a "duty-free zone."

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[Text] Implement Liberal Investment Policies

Following the example of Hong Kong, liberal investment policies should be implemented. The core of Hong Kong's economic policy is the free economy, and this is the most universal policy measure for all of the world's economic type special zones. The Futian International Industrial Village, except in terms of having the city government formulate the criteria and principles for attracting investment, stipulating standards for permissible and non-permissible methods for encouraging investment and attracting industry and projects and conducting macro-level resolution of conflicts, for all investment projects will not insist on a structure of industrial production (letting the market condition things), will not emphasize setting up requests for authorization (provided things are done in accordance with investment criteria and the most simple application for approval and examination is done, then it will be possible to register), will not assist any industrial or enterprise (no enterprise in the Industrial village, at any administrative level, will receive special preference or special privilege, there will be fair competition, the superior will succeed and the inferior will be eliminated). At the same time, other relevant policies required for a free economy will be implemented, for example, within the Industrial Village, all products that enter and leave will not be subjected to internal quota and license restrictions, and there will be a trial allowance of the free conversion, free circulation and free entry and exit of Hong Kong currency within the Industrial Village, etc.

Giving Expression to the Idea of Little Government Interference and a Large Role for the People

Third, the establishment of an administrative system in which the agencies of the city government are directly responsible to the mayor, and which has full powers to handle all administrative work within the Industrial Village. This would be similar to the administrative setup of Hong Kong and each of the economic type special zones in the world: an autonomous administration, where power and responsibility are unified, and a

capable and vigorous, honest, highly effective and service oriented administration based on law, which in terms of economic activity carries out basically a policy of positive non-interference. Trial running of a civil service system would be done, and there must be a special emphasis on giving expression to the idea of "little government interference and a large role for the people." The administrative structure of the Industrial Village, in addition to administration of the city government that must function in accordance with the law, in terms of economic activity, must boldly divide up authority: full powers and responsibility for development and management are provided to investors and developers in accordance with the management of the Industrial Village, all enterprise administration and management is conducted at the initiative of investment enterprises according to contracts and Industrial Village public contracts. There will be service corporations to supply the city government, and daily and social services, in accordance with the principle of separation of government administrative organs and industrial enterprises, truly privately managed legal firms, accounting firms, construction firms, and so on, responsible for social services related to economic activity.

Fourth, use the Industrial city to study, to draw lessons from, and to transplant Hong Kong's legal system. Despite the fact that Hong Kong's legal system bears the tint of colonialism, in terms of a well developed commodity economy and society, the legal system of Hong Kong, especially in terms of economic laws and regulations, including written (statute) law, common law and judicial precedent, contains much that has been drawn on and even transplanted by eastern and western countries alike. Recently in the Shenzhen SEZ work has begun in a step by step and planned way to carry out this work. The special conditions of the Industrial Village should be used in an experiment to transplant Hong Kong's legal system into the Industrial Village. One, it is necessary to classify Hong Kong's laws and regulations (mainly the economic laws) into: 1) those economic laws which are effectively carried out in Hong Kong and which are completely suitable for use in the SEZ but which are not presently used there. These should then be wholly transplanted. After "testing" them in the Industrial Village, they would pass through the parliamentary process to become the SEZs' own laws; 2) those laws which are carried out effectively in Hong Kong and are basically or for the most part suitable for use in the SEZ. These should be revised and then transplanted. In the process of "testing" in the Industrial Village they will be continuously supplemented and amended, after which they will become the official law of the SEZ; 3) economic laws which are currently in effect in Hong Kong and in China, which after undergoing "testing" in the Industrial Village and through learning from the successful aspects of the implementation of these laws in order to make up for deficiencies, can be selected and transplanted in order to perfect our present laws and regulations.

Two, bring Hong Kong legal talent to the Industrial Village. Not only can Hong Kong lawyers be invited to serve as legal advisers (the Industrial Village has many legal problems bearing on the Hong Kong legal system), but Hong Kong lawyers recognized by the state can also be permitted to establish firms in the Industrial Village, even so far as permitting them to defend cases in court according to Hong Kong laws. The public law offices of the Shenzhen SEZ can also consider establishing "special courts" within the Industrial Village with mixed use of SEZ law and Hong Kong law, thereby carrying out a test of the implantation of Hong Kong's legal system into this "special" soil. Third, in order to give expression to sovereignty and the nature of a socialist special economic zone, the final judgement for all cases in the Industrial Village must be made in accordance with the state and SEZ laws currently in effect.

The Main Movement for Further Reform in Shenzhen

NANFANG RIBAO, in publicizing successes economic construction during ten years of reform and opening in Guangdong Province, spoke of the Futian International Industrial Village as "China's first industrial zone developed through foreign investment." The author is familiar with the situation whereby in the last year, with the preparatory work for the Futian International Industrial Village already basically completed, and taking the main "movement" of furthering reform and opening in the Shenzhen SEZ, the announcement of its establishment must be publicized very quickly. But the hope is that this industrial village will be capable of becoming the "proving ground" for "still further reform and still further opening," and not just an ordinary industrial zone.

LABOR

Surplus Labor Returning to Countryside

90OH0244A Beijing CHENGXIANG JIANSHE
[URBAN AND RURAL CONSTRUCTION] in Chinese
No 12, 5 Dec 89 pp 36-38

[Article by Xu Keren (1776 0344 0088): "Four Major Reasons for the Return of Surplus Labor to the Countryside"]

[Text] Once villages in the Yiyang region of Hunan Province began implementing the production contract responsibility system for families as a starting point for reforms, the production capacity of the villagers was set free, agricultural labor productivity rose uninterruptedly, and new demands for a re-allocation were placed on the sizeable amount of surplus labor in the countryside. However, with adjustments made in the product mix of agricultural villages, and with the abrupt rise of the small towns, the surplus labor of the countryside began, in fact, to move toward nonproductive areas. The region we are discussing has 4.060 million people, and its labor force is made up of 1.640 million people. In 1978, 95 percent of the labor force in the region was engaged in

agriculture. However, in 1988, only 77 percent of the labor force was engaged in agriculture. This represents a drop of 18 percent.

However, at the same time that the surplus labor force of the countryside was gradually moving into nonproductive areas, the labor force that had already gone off into nonagricultural territories now began to stream back to the countryside. Based on a recent survey in the Yiyang region, 89,000 members of the labor force had returned to the region in 1988. This represents 30.6 percent of the diverted labor force. Among this group were 7,300 workers who came back from working for state-run industry and mining enterprises (8.2 percent); 17,600 returned from village construction enterprises (19.8 percent); 16,100 returned from working in individual retail concerns in the villages (18.1 percent); and 48,000 returned from working in other areas (53.9 percent).

The massive return of surplus labor to the countryside put a heavy load on an employment situation that was critical to begin with. It poured many unstable elements into society, and this created many more cases of public disturbance. People blindly came and went through the cities and towns of the region, and this put a heavy load on the transportation, housing, and supplies of the cities and towns that were already taxed to their limits. The result was a comprehensive social ill caused by uncontrolled movement.

Diversion and return of surplus labor from the countryside is a kind of bi-directional social movement. There are profound economic reasons for massive uncontrolled movement in society. After investigating the matter, it is our belief that there are four primary explanations for the phenomenon.

Uncontrolled Return Lacking a Mechanism of Diversion

With the huge surplus labor force returning to the countryside and seeking employment, the main issue facing us is how to establish a diversion mechanism for the surplus labor force that fits in with the current level of economic development in the cities and in the countryside, with the system of economic administration, and with the unique features of the labor situation. In the past we had an ultra-stable agricultural society where few people moved about. The small numbers of workers that did move about did so only under the distribution mechanism of command planning that was subject to unified allocation and contracting of the state. In no way were market mechanisms allowed to determine distribution of the labor force. Once the production responsibility system was implemented in the countryside, labor force movement to and from various industries and regions was completely freed from control by the state planning mechanism, and now became influenced by market mechanisms. However, because these market mechanisms that were in accord with the unique features of the economy and the labor situation during the first stage of socialism were not fully developed, the surplus

labor force of the countryside became subject to spontaneous vacillation. According to rough statistics, 51 percent of the returning labor force in the region is made up of rural labor that is blindly moving about. Seventy-six peasants from Anhua County heard rumors and so they blindly flocked to Xinjiang to pan for gold. There they besieged the shores of the Jiaoerte River in the Aletai region where they lived on nothing but water and grass. When the party committee of Anhua County heard of this, they immediately dispatched a rescue team to Xinjiang. With the help of the Hunan Province party committee and the Aletai region party committee, the rescue party walked for eight days and nights until they came across the dead bodies of the workers. In all, 28 days were spent on the rescue operation.

If we are to see to it that the surplus labor force of the countryside is moved about in a rational and effective manner, and that blind movement is curtailed, then we must construct an appropriate market mechanism. Currently, in the Yiyang region, with its four counties, one city, and five large state-run farms, no labor market has yet been established that is directed toward the rural areas. The rural labor output relies on a chain of friendly intermediaries. That is to say, there is neither selection, nor competition. Most of the people in the rural areas are affected by the shock wave of "certain persons among them leaving the confines of the villages, and getting rich elsewhere" and so they come to feel that if they continue to place their reliance on the big markets, then they will only remain poor. Thus, they file out of the villages in search of prosperity. Most of those who leave are merely hoping to get lucky somewhere else. They are spurred on by a mass psychology, and they wander about like ants in the labor markets. Indeed, it is blind diversion akin to "a blind man riding a blind horse." They have no idea which region has labor opportunities, or what kinds of skills are needed. Most of the blind diversion cannot be assimilated by the cities, and consequently, the labor force returns like the bursting of a dam.

This critical matter, the return of the labor force to the countryside, will be resolved by allowing market mechanisms to rationally guide the situation. The Yiyang region has successfully attempted this in the past. For example, the city labor markets that were established in Yiyang in 1987 acted as "matchmakers" that put labor force supply and demand into contact with each other. However, these labor marketplaces were primarily directed towards those seeking jobs in the cities and towns, and the practice has not been spread soon enough to the countryside. If labor marketplaces with complete informational networks can be established in the countryside, if labor supply and demand can be put in touch in the market, and if reliable information about job openings can be made known on a timely basis, then the blind drifting of the labor force in the countryside will be greatly reduced.

The Return of the Unskilled Labor Force

Not all of the returning workers are persons who could find no job opportunities. For some of them, there were jobs to be had. But, they lacked the requisite technological and cultural skills, and were not able to suit the needs of modern commodity production. Thus, they were forced to turn back. Of the total number of returning workers, 19 percent are those who lacked the requisite technological skills. For historical, cultural, and geographical reasons, the Yiyang region is rich in labor "reserves." However, the labor is largely unskilled. Of the 1.64 million workers in the region, about 25 percent are totally or partially illiterate, 45 percent have only an elementary school education, and about 30 percent have a junior high school education or greater. With the crisis in basic education, the quality of the labor force continues to drop. The following are the dropout rates last year for schools in the region: elementary school—four percent; junior high school—9.94 percent; regular high school—six percent; vocational junior high school—14.56 percent; and, vocational high school—15.2 percent. In a survey of 10 junior high schools in Yiyang County, it was found that of the 2,860 students who entered junior high school in 1986, 1,152 have now dropped out. This is a dropout rate of 40.3 percent. In 1985, 27 vocational junior high school classes were enrolled, with a total of 1,200 students. By 1987, only 12 of the classes were still operating, with 262 students. This year they had planned to start up 30 classes, but could only fill 13 classes with 266 students. This is less than one quarter of the plan. A labor force loaded with physical skills but lacking the intellectual skills is the result of this withering of ordinary and vocational education.

Because the labor force is poorly skilled, it has been very difficult to exploit it. With the continual development of science and technology, and with the widespread use of new equipment and tools by the enterprises, and their employment of new methods of production management, more and more manual laborers have been made extinct. Before, the environmental protection departments in Yiyang employed more than 200 peasants to shovel manure, cart garbage, and other such brute tasks. This year the departments have been equipped with many trucks and much machinery for environmental protection, and those peasants who were unable to operate machinery were left without a job.

It is clear from all this that the problem has two aspects to it. First, many members of the labor force in the countryside have been left by the wayside because they lack cultural and technological skills. Second, a considerable number of peasant families have been shortsighted, and eager for quick riches, have pulled their children out of school and thrust them prematurely into the labor force. The result is that those in the countryside have less to offer in the competition for employment.

Thus, the short-term strategy for improving the quality of the labor force in the countryside should include

strengthening the pre-employment training, and training the workers to perform specific technological skills which are in demand. This is known as "leaving the wine in the cellar until it is ready." "It takes ten years to grow trees, but 100 years to cultivate people." The reproductive cycle for the labor force is much longer than for commodities and goods. In modern society, 20 years are required from the time a child is born until the time it becomes a worker with a high school education. For this reason, we should have a long-term, strategic vision of the development and use of our labor resources. Development of the commodity economy requires that we make adjustments in our educational structures, and earnestly implement a system of nine years of compulsory education.

Assimilation Has Been More Difficult With Adjustments in the Economy

The steady return of the rural labor force to the countryside is a development that has occurred under the historical backdrop of adjustments in China's national economy. The rectification of the economic order, and the ordering of the economic environment are comprehensive adjustments that began midway through last year. Rectification, which is centered around cooling down an overheated economy, includes such measures as adjusting the industrial and product mixes, tightening up on the money market, and controlling the scope of basic construction. Because of these aims, there is no way the rural labor force will find increased new employment opportunities out of this. On the contrary, the large numbers of peasant workers have been forced to return home. Statistics indicate that 30 percent of the returning workers do so because of the effects of adjustments in the economy.

A tightened money market means that rural enterprises that assimilate the peasant labor force in large numbers now find their opportunities for development severely curtailed. In the Yiyang region there are 22,181 industries employing 138,000 workers. In a normal year about five percent of these enterprises shut down. This year the situation has been particularly severe. Some of the enterprises have had to postpone start-up of operations because of insufficiency of capital. This year in Taojiang County loans to rural enterprises are down 9.7 million yuan from last year, and 12 township-operated enterprises have ceased operations. Of the 25 township-operated enterprises in that county that were investigated, only 11 were operating by the end of February. Of 215 enterprises in counties to the south, only 157 were operating by the end of February. Throughout the region items of fixed asset investment were reconsidered, and at the end of last year 68 items that were being constructed were at one time put to a halt or slowed down, and the cut back represented 62.91 million yuan in fixed asset investment. This created a dilemma for the rural construction industry. However, rural construction is an important assimilator of the surplus labor force in the countryside. Of the 1,453 construction enterprises in the region, 243 build pre-fabricated items. They employ

32,000 rural workers throughout the year, and they employ over 20,000 on a seasonal basis. However, with the cutbacks, over 10,000 workers have been sent back to "the farms."

The cities are also closing their gates to the rural laborers. The reforms in recent years of the economic systems of the cities, such as reforms in the system of enterprise employment that have destroyed the old system of employing people based on job needs under the unified contract and assignment system, and reforms that have led to selection of quality persons and better compositions, have led to huge numbers of surplus workers and workers who are automatically discharged. The enterprises are casting more and more workers out into the streets, but society can only assimilate a limited number. More and more surplus or discharged workers are seeking new employment opportunities in our society, and these people compete with the rural workers for the jobs. Once the enterprises of the region began focusing on quality composition in their forces, eight percent, or about 31,000 workers, were rendered unnecessary. These people need to either be given other jobs within the enterprise or else they will be jobless. Since 1984, the number of contract workers has risen gradually each year, and so has the number of contract terminations. This year over 1,890 of the first batch of contract workers will see their contracts expire, and a portion of them will be out on the street looking for new jobs. This year the state will stop hiring workers for people's enterprises. The indicators for hiring cutbacks and natural reductions of supplemental workers show that about 6,800 workers will be affected. At the same time, the plan calls for 8,200 workers to be trimmed through re-orderings.

Aside from those not engaged in their proper duties, most of the workers we have just been talking about clearly surpass the peasant workers in their levels of culture and technology, in their abilities to catch on to information, and their skills at social intercourse. Many of the peasants in the cities are or will be replaced by these workers, and will either wander aimlessly through the streets or return to the countryside.

Return Caused by Uncontrolled Population Explosion

Basically speaking, the huge labor surplus in the countryside and the mass exodus back to the farm are the pernicious results of our uncontrolled population growth.

In 40 years China's population has gone from 540 million in 1949 to 1.1 billion. This is because we have a long history of mistakes in our population policies, we have failed to factor in population in our national economic plans, ideologically we have placed lopsided emphasis on the bright side of population growth, and we have ignored the burden that blind population growth places on our economic development. In the Yiyang region, the population has gone from 2.147 million at the beginning of the war of liberation, to 4.195 million in

1988. This is nearly double the population. Total population places restrictions on labor force resources. Under certain age distribution conditions in the population, there is a direct ratio between the labor force resources and the population. Now we have serious contradictions between population and employment. In the Yiyang region, employment will become more and more of a problem this year and in the years to come. This year over 60,000 rural persons will need to find employment in the region, and the unemployment rate is over 3.2 percent. Starting this year, the baby boomers of 1966 to 1972 will be entering the work force. This year, 8,018 young adults from the region will need to find jobs.

The total rural population in the region is 3.4355 million. The rural labor force is 1.646 million. Thus, the labor force represents 47.9 percent of the total population. The surplus rural labor force and the surplus labor time is over 40 percent. The supply of labor already greatly exceeds that which the national economy requires for development.

As the population rises the excessive surplus of labor will get worse. Based on the existing population, the regional census commission estimates that today's labor force of 2.6826 million will rise to 2.923 million in 1995 and 3.0303 million by the year 2000. For various reasons, the labor force that has been shifted from myriad of other places is now forced back to the farm. But, the farm does not need all of these workers. They cannot be assimilated in the city or the countryside. As a result, these workers drift back and forth between the city and the countryside. They float idly on a grand scale and their floodwaters flow in every direction.

In fact, a surplus in the rural labor force means that rural labor resources are being wasted. Because labor resources are a resource with a turnover cycle of one lifetime, the exploitation and use of labor resources should be done with this turnover cycle in mind. Currently we have huge labor resources with no jobs to perform. This leads directly to wastage and loss of the labor resources. We waste and lose many more labor resources than we do any kind of commodity.

We have known about the population explosion for a long time, and the challenge was known early on. The large-scale return of the peasant labor force to the countryside signifies another sounding of the alarm bell for government leaders at all levels. We must resolutely execute the basic national policies of "strictly controlling population, making great efforts to improve the quality of our people, and gradually adjusting the structure of our population." We must stop the current practice of "creating a small opening, and proliferating the large openings." We must alter our passive acceptance of "bigger and bigger appetites, and more and more people" in the countryside. Only in this way will we ever get at the root of the problem of surplus rural labor.

POPULATION

Developments in Demography Described

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[POPULATION AND ECONOMICS] in Chinese
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[Article by Kan Yanhe (7074 1693 3109), Social Sciences Department, State Education Commission: "The Development of Demographic Research and Education in Chinese Colleges and Universities—With an Additional Discussion of the Achievements Registered Through Cooperation With the UN Fund for Population Activities"]

[Text] Abstract

Chinese social scientists generally acknowledge that over the past decade demography has been the most active and open social science and one quickest revived and fastest developing disciplines. Although Chinese demography is still young and growing, demographic research and education in colleges and universities have begun to achieve some scale, and the initial steps have been taken toward the creation of a distinct field of research and teaching, an achievement that is inseparable from our cooperation with the UN Fund for Population Activities [UNFPA].

Collegiate demographic research and training programs conducted by the Chinese government in cooperation with the UNFPA began in 1980 and have undergone two phases. The project was initiated in order to establish a number of quality, key demographic research and teaching institutions and progressively to create a distinct, national research network that can coordinate efforts so as to meet the needs for demographic theoretical research and training. Over the past decade, relevant agencies of the Chinese government and the UNFPA have provided vigorous human and material support for this effort and created excellent conditions for the development of the field. Meanwhile, through their own efforts, demographic research organs have steadily built up a corps of researchers and teachers and in recent years have undertaken many research projects on behalf of government agencies at all levels, provided service and advice for the formulation of population policy and for socioeconomic development planning, trained a corps of demographers and family planning cadres, and played an important role in controlling China's population growth.

Ten institutes participated in the 1st phase (CPR/85/P01), and another 12 joined during the 2d (CPR/35/P47), which also added three support projects: a demographic training center (CPR/85/P49), a language and background information training center (CPR/85/P51), and the monographic series "Zhongguo renkou" (CPR/85/P52). From 1980 to 1989, the Chinese government contributed a total of 40 million yuan to the project, the UNFPA provided \$7.65 million, and under the project 132 people were sent abroad to study (for three months or more), 110 projects were undertaken for

the state, 52 projects were implemented for local governments, and the principal results were: More than 50 monographs, 168 reports, 110 sets of course materials, 2,900 papers, and 22 periodicals were written or published; 10 PhD candidates, 105 master's degree candidates, 196 undergraduates, 717 junior college graduates, and 8,000 other personnel were trained; 40 international conferences and symposiums of various kinds were convened; and three advisors were sent abroad.

An Objective Necessity and a Good Opportunity for Cooperation

As with any other discipline, the development of demography is dependent on social need for and the social environment and conditions permitting such development.

Like the world, China has moved from slow to rapid population growth. China's population totaled only 59.59 million in year 2 A.D. (year 2 of Yuanshi in the Later Han dynasty) and reached 455.59 million by 1947. In 1,945 years, China's population grew by only 396 million, for an average annual rate of 0.105 percent, which is quite low. After the establishment of New China in 1949, the death rate rapidly declined, so population replacement changed from a state of high fertility and mortality to high fertility and low mortality. Thus, population growth markedly accelerated, China experienced two growth peaks in succession—in the mid-1950's and from the 1960's to the mid-1970's, and the total population increased from 540 million in 1949 to 1.08 billion in 1987, a net doubling in 38 years, for an average annual growth rate of 1.754 percent.

The rapid growth in population and the problems resulting thereof attracted the attention and study of a number of demographers and sociologists, as represented by Ma Yinchu, and the data obtained in the first national census of 1953 stimulated unprecedented study. In September 1956, Premier Zhou Enlai, in a book entitled "Suggestions for the Second 5-Year Plan for the Development of the National Economy" [Guanyu fazhan guomin jingji di er ge wunian jihua de jianyi] unequivocally proposed a program to "appropriately control births." Against this historical backdrop, East China Normal University, with the approval of the Ministry of Education, established a demographic research office headed by Professor Hu Huanyong [5170 3562 1661]. This was the first demographic research organ established by a college or university since the founding of New China. Due to erroneous theoretical guidance in 1957, we indiscriminately copied foreign demographic theory on everything and mistakenly criticized demographers and declared their correct proposals and findings to be "reactionary Malthusianism." With this, demographic issues became taboo, the research office at East China Normal University was closed, and collegiate population study was suspended for 16 years.

At the prompting of Chairman Mao and Premier Zhou, Chinese family planning work entered a new stage during

the 1970s. In 1973, a national planning conference incorporated targets for population growth into the national economic plan and established the State Council Family Planning Leading Group. In 1974, the State Council Science and Technology Team gave approval to China People's University (then merged with the Beijing College of Economics) to establish a demographic research institute. Soon, the Beijing College of Economics, Jilin University, Zhongshan University, Hebei University, and Anhui University also established demographic research offices.

After the smashing of the gang of four, especially after the 3d Plenary Session of the 11th CPC Central Committee, demography assumed an unprecedentedly new appearance. In July 1979, Beijing University decided to grant Mr Ma Yinchu full rehabilitation and to restore his good name, his "New Theory on Population" [xin renkou lun] was republished, and the Chinese government reaffirmed the research that Chinese demographers and sociologists had long undertaken, a development that gave tremendous encouragement to college teachers to study population problems. East China Normal University restored its demographic research institute, with Professor Hu Huanyong as director.

Guided by the line of the 3d Plenary Session and by the policies of reform and opening up to the outside world, and having reviewed the tortuous path of development Chinese demography had traveled, we became painfully aware that, while China possesses vast demographic resources, China's demography is undeveloped—a situation that is most incongruous for a large country possessing a population of one billion—and that, to enable Chinese demography to improve as quickly as possible, we had to open our minds, learn from advanced countries, and develop by opening up to the outside world. In September 1979, under the unified arrangement effected by the State Council Family Planning Leading Group, we negotiated and signed an agreement with the UNFPA on CPR/80/P01, which provided for demographic research and training at Chinese colleges. To implement this project, the Ministry of Education in February 1980 issued two documents assigning the various work involved in the project and establishing measures and targets for the proper utilization of UNFPA financial assistance. From that time forward, college demographic research and training rapidly developed through effective cooperation with the UNFPA. In 1985, we signed with the UNFPA an agreement for the second phase of the project (CPR/85/P47). Both phases will successfully be completed at the end of this year.

Having reviewed the history of the development of Chinese demography, we draw the following conclusions: (1) The force propelling the development lies in China's objective, real needs; (2) The discipline has traveled an arduous, tortuous path of development; (3) the ideological line advanced by the 3d Plenary Session to seek truth from facts, to liberate thought have paved the way and created an excellent social environment for the development of the field; (4) the policies of reform

and opening up have enabled Chinese demographers to open up to the rest of the world, and UNFPA assistance has provided effective external conditions for this effort.

Achievements during the Last Decade

1980-1989 was an important period in the recovery and development of Chinese demography. During this decade, the following outstanding results were achieved in collegiate demographic research and training work.

A. A Corps of Demographers Based Primarily in Research Institutions Was Created

Nationally, there are a total of 34 demographic research organs in colleges and universities, of which 20 are institutes. The organs are in key national universities, local universities, medical colleges, engineering colleges, and finance and economics colleges; are distributed in 22 provinces, autonomous regions, and centrally administered municipalities; and form a rationally distributed network in which each organ is distinctive.

Twenty-two of these organs have participated in UNFPA projects and, according to statistics, employ a total of 400-plus demographers, of which 115 are professors and assistant professors.

See the Appendix for the names, research orientation, and locations of these 22 organs.

B. A Training System Has Been Established and Has Fostered a Corps of Middle-Aged and Young Demographers

In August 1982, the State Council issued documents which were drawn up on the basis of the various work performed by relevant central agencies concerning population problems and which set forth two major tasks for the Ministry of Education: carrying out research in all relevant colleges and universities; and training demographic specialists, teaching demography to college students, and disseminating demographic knowledge. Over the past decade, demographic research and the training of demographers of various levels and types of expertise has become the two-fold task of colleges and universities. China has completed the first steps toward the creation of a system that meets its needs and that is comprised of various forms and provides various levels and types of training. The principal forms of the training system are as follows.

1. Undergraduate training. With the approval of the Ministry of Education, China People's University in 1981 made demography a field of specialization and enrolled undergraduates in a 4-year program therein, the first time this had been done in the history of Chinese education. Subsequently, Fudan University set up a class in demography under its department of economics. In 1983, the Ministry of Education granted China People's University approval to establish a department of demography, which has already trained 196 undergraduates.

2. Graduate training. To train advanced demographers, the State Council Academic Degree Commission in 1984 authorized China People's University Demographic Research Institute to confer doctorate degrees in demography. Now 5 colleges and universities grant such degrees, and there are 7 doctoral advisors, 13 institutions conferring master's degrees, and 2 giving bachelor's degrees. Thus far, 10 doctorates and 105 master's degrees have been awarded. And 17 students are currently enrolled in doctoral programs, 94 in master's programs.

3. Overseas training. While rooting our training effort in China, we have selected outstanding personnel for overseas study, which forms an important channel for training demographers. Since 1980, we have used the UNFPA and other channels to send 96 people abroad to study, of which 42 have returned. Such people have studied hard and turned in outstanding accomplishments, some earning degrees, others winning top honors; such students have won accolades from demographers both at home and abroad. Most of the returnees have become the backbone of our teaching and research corps, and 10 have already become institute directors or assistant directors.

4. Training classes. There are courses in special topics, short-term classes, half-year classes, junior college courses, and a variety of other forms. An example is the 2-year course run by Hebei University's Demographic Research Institute on behalf of the State Family Planning Commission. Over the past decade, demographic organs have operated a total of 76 training classes and trained 8,000 people.

C. A Series of Important Academic Activities Have Been Carried Out, and Important Results Have Been Achieved

1. We have served practical need, advanced survey work, prepared many survey and advisory reports serving implementation of population policy and coordination of population and economic development, and played an important advisory role in the state's effort to control population growth and in government decision-making. The following are some examples of this work. "Quantitative Research and Application in the Demographic System" (cooperatively prepared by Professor Jiang Zhenghua 5592 2973 5478, Song Jian 1345 0256 et al., of Xi'an Jiaotong University Demographic Research Institute), which won first national prize for Scientific and Technological Progress in 1986; "Five Proposals Concerning Population Policy" (by Professor Liu Zheng 0491 6927, of China People's University Demographic Research Institute), which won second Beijing prize for Social Science Research in 1987; "Population Density and Population Policy in Eight Large Regions of China" (by Professor Hu Huanyong, of East China Normal University); "A Survey of the Floating Population of Shanghai" (by Zheng Gui 6774 2710 et al., of Fudan University), which won first Shanghai prize for Social Sciences in 1985; "An Appraisal of the Effort To Control

the Growth of China's Population over the Past Decade" (by Wei Jinsheng 7614 3160 3932, of the Beijing College of Economics), which won the Thesis Prize awarded by the National Theoretical Symposium Commemorating the 10th Anniversary of the 3d Plenary Session of the 11th CPC Central Committee. These achievements have greatly benefited society and are of important reference value for decisionmaking.

2. Over the past decade, we have published many works. According to incomplete statistics, as of the end of 1988, colleges and universities had produced more than 50 monographs, 100-plus sets of course materials, 2,900 articles, and nearly 100 articles in foreign languages. Some of these works have been very original and scientific, and some have filled gaps in Chinese demography. There are, for example, the "China's Population" (Zhongguo renkou) series (32 volumes), "The Curriculum of Demographic Theory" (Renkou lilun jiaocheng), "A Dictionary of Demography" (Renkou xue cidian), "Demometrics" (Renkou tongji xue), "Economic Demography" (Renkou jingji xue), "Social Demography" (Renkou shehui xue), "The Geographic Demography of China" (Zhongguo renkou dili), and, "A Study of China's Population Problems" (Zhongguo renkou wenti yanjiu.)

3. We have sponsored a series of important academic conferences, such as the Beijing International Round Table Conference, which was convened in December 1980; the Beijing International Symposium on Population and Development, held in December 1984; and the International Symposium on Urbanization and Urban Population Problems, October 1987.

4. We have undertaken a number of key research projects for the state and for local governments. Twenty-two college research organs have undertaken 162 research projects for the State Education Commission, relevant departments, and local governments, including 110 projects for the State Social Sciences Fund, the State Education Commission, and relevant ministries and commissions, and 52 for local governments. The vast majority of these projects have involved applied research, and some have produced important results, and the projects have proved of major practical significance for state decisionmaking on population, economic, and social development.

5. We have initiated a number of periodicals and promoted academic exchange. Colleges and universities now produce 22 periodicals devoted to demography, of which 10 are issued publicly both at home and abroad and the principal of which include RENKOU YANJIU [Population Studies] (published in Chinese and English editions), RENKOU YU JINGJI [Population and the Economy], RENKOU XUEKAN [Demography], and XIBEI RENKOU [Population of the Northwest].

6. We have carried out international exchange. Over the past decade, collegiate demographers have held many bilateral and multilateral academic exchanges with their

counterparts from various countries of the world. The projects undertaken in cooperation with the UNFPA, namely P01, which began in 1980, and P47, which began in 1985, have played an especially important role in promoting exchange between Chinese and foreign demographers in many areas. This project in cooperation with the UNFPA opened the door to contacts between China and foreign demographers and served as a bridge and tie. Through the project, we have imported advanced research equipment for demographic research organs; purchased more than 7,000 books and periodicals on demography; sent 80 people abroad to teach, participate in cooperative research, and fact-find; appointed 60 foreign experts to teach in China; sponsored 71 international academic conferences and discussion meetings; sent 50 people abroad to participate in international conferences; and published approximately 100 articles in journals abroad.

7. Breakthrough Has Been Achieved in the Building of the Discipline

The development of Chinese demography over the past decade has occurred not only in the areas of personnel and institutions but, even more importantly, in breakthrough building of the discipline. First, in the area of theory, we have refuted the claim that continuous population growth is a law of socialist demography and reestablished the Marxist theory of two types of production. The advance from theory to "stressing the two types of production together" marks the transformation of theory into practice and policy. It has effectively supported and propelled family planning work and represents a great contribution by Chinese demographers. We also advanced the thesis that population development must be suited to socialist, modernized production and that planned regulation of population size and continuous improvement in population quality are laws of socialist demography. Additionally, we have critically assimilated Western theory concerning population control, demographic change, appropriate population levels, ecological demography, and the like. Second, in the practice of socialist modernization, we have identified and thoroughly studied many real demographic problems. The 1982 census and the one permillage birth-rate survey provided the first detailed and accurate data for demographic research in Chinese history. Collegiate scholars used these data to compile the massive series, "China's Population" which has 32 volumes, is published in both English and Chinese, was a major pioneering undertaking, and has been acclaimed by foreign demographers. In addition, we have utilized census and a variety of other data to conduct thorough study and analysis of China's fertility; mortality; age, sex, and occupational compositions; ethnic groups; households; and other issues. The advance of socialist development and reform has presented practical work with problems that urgently require resolution. We have thoroughly studied such problems as urbanization, population movement and floating population, the aging of the population, and single children and provided a scientific

basis for state decision-making. Third, in terms of discipline building, after a decade of work Chinese demography has become independent, is no longer subsumed within sociology or economics, is multidisciplinary, and possesses a distinct focus of study. And after continuous investigation and opening up of new areas, many new branch disciplines have emerged, such as demometrics; economic, social, geographic, ecological, ethnic, and genetic and eugenic demography; and the history of demographic thought.

The ten years from 1980 to 1989 may be described as a decade of rapid revival and development of Chinese demography, in which many research results and skilled personnel were produced, and in which the broad masses of demographers labored hard to develop this new field, made tremendous contributions, and conducted extensive exchange with and opened up to the outside world. It is especially worth reiterating here that during this decade collegiate demographic researchers and training workers engaged in extensive and fruitful cooperation with the UNFPA, whose aid projects have played an important role propelling the development of Chinese demography.

Future Development

Although Chinese demography has developed rapidly, measured against the needs of China's socialist modernization and against advanced levels in the world, there are also many aspects of Chinese demography that are unsuitable or inadequate. With respect to colleges and universities, the development of research organs has been uneven, some forces remain weak, discipline building has been unsystematic, gaps remain, advanced research methods and procedures have not been made universal, and so on. As for research content, we have done some work to advance the survey and study of the patterns underlying urgent practical problems, but this work has not been extensive enough. We have not yet thoroughly processed and exploited important existing data, and forecasting of future demographic development trends, theoretical guidance for family planning work, population policy analysis, and other areas all cry out for scientific research results as soon as possible. In the future, we must focus study on population growth, quality, and composition and other important issues. Rural, female, and household population, research methodology, as well as other areas are in even greater need of innovation and development.

The development of demography in Chinese colleges and universities over the past decade certainly has attracted much attention both at home and abroad, and cooperation with the UNFPA has proved very fruitful. Nevertheless, we must soberly recognize the inadequacies and problems of the field. Collegiate demographers must carefully think about how we should plan, in accordance with China's actual needs, our research and teaching during the Eighth 5-Year Plan (1991-1995) and during the third phase of cooperation with the UNFPA. First, during the next phase, we must strive to change the model employed for the projects of the first two phases and expand into new realms. UNFPA and Chinese inputs both should move from stress on infrastructure to focus on research. If the first two phases can be said to have stressed tangible inputs, then the third should stress intangible inputs, which not only should include training but, even more importantly, research projects. Of course, in selecting research topics we must give precedence to areas that the nation urgently needs, such as rural population growth and serving population policy implementation. After full and careful deliberation, colleges and universities have already mapped out a number of key projects and will organize a corps of highly skilled researchers to carry the projects out. Necessary inputs must be provided so as to ensure that these important projects are implemented. We are confident that, through the joint efforts of relevant quarters, these matters will be resolved properly. Second, in the area of research organ development, we should pay attention to the organs' distinctiveness and strengths and support them selectively. For some time to come, it admittedly will be necessary to increase the number of such organs somewhat, but this must be based on need and feasibility and be controlled. Existing organs should focus their effort to develop on their own specialities and strengths. We must also consciously establish, on the basis of current work and through competition, several key institutes and make these institutes bases of demographic research that are first rate both domestically and internationally. Third, in the area of training, we should stress a multitiered, multichanneled approach, root this work in China, and integrate domestic and overseas training. In sum, in our future research and teaching, we should pay greater attention to the benefits projects produce, strengthen lateral links, and do a better job of cooperating with the UNFPA so that demography in Chinese colleges and universities can take a big step forward.

Appendix: Demographic Research Institutes [DRI]

Name	Primary Research Orientation	Location
China People's University DRI	Population Development Policy, the Populations of Developing Countries, Chinese Fertility and Mortality	Beijing
Beijing University DRI	Rural and Household Populations, Economic Demography	Beijing
Beijing College of Economics DRI	Population and Economy, Urban Population, Evaluation of Population Policy	Beijing
Nankai University DRI	Economic and Social Demographic Problems of Large Cities	Tianjin

Appendix: Demographic Research Institutes [DRI] (Continued)

Name	Primary Research Orientation	Location
Fudan University DRI	Population and Economic and Social Development, Urban Population, Population Quality	Shanghai
East China Normal University DRI	Geographic Demography and Regional Population, Economic Demography	Shanghai
Jilin University DRI	Population and Economy; Population and Society; the Population, Economy, and Society of Northeast Asia; Evaluation of Population Policy	Changchun
Liaoning University DRI	Urban population problems	Shenyang
Harbin Medical College DRI	Population Quality, Changes in Fertility and Mortality	Harbin
Hebei University DRI	Population of Hebei	Baoding
Lanzhou University DRI	Population Problems in the Development of the Northwest, Populations of Minority Nationalities	Lanzhou
Xi'an Jiaotong University DRI	Analysis of Population Development Policy and Plans, Technological Demography, Female Population	Xi'an
Xinjiang University DRI	Populations of Xinjiang Ethnic Groups	Urūmqi
Sichuan University DRI	Populations of the Minority Nationalities of the Southwest	Chengdu
Yunnan University DRI	Populations of the Minority Nationalities of Yunnan	Kunming
Wuhan University DRI	Rural Population and Birth Policy, Rural Social Development, Old Age Population	Wuhan
Zhongshan University DRI	Urban Population, Populations of Overseas Chinese Communities	Guangzhou
Nanjing University DRI	Urbanization and Urban Population Problems	Nanjing
Hangzhou University DRI	Geographic and Social Demography	Hangzhou
Zhejiang Medical College DRI	Population Quality	Hangzhou
Anhui University DRI	Rural Population, Single Child Problems, Population Policy and Evaluation Thereof	Hefei
Xiamen University DRI	Overseas Chinese, Special Economic Zone, and Taiwan Populations	Xiamen

TRANSPORTATION

Hefei-Jiujiang Railway Line Approved

OW0703193890 Beijing XINHUA in English
1502 GMT 7 Mar 90

[Text] Hefei, March 7 (XINHUA)—The construction of a 300-km railway line across the southern part of eastern Anhui Province and the northern part of neighboring Jiangxi Province has been approved by the central government.

The line, connecting Hefei, capital of Anhui Province, and Jiujiang City on the Yangtse River, will be jointly funded by the local government and state enterprises.

When completed, the new line will greatly improve the transport situation in southeastern Anhui Province and ease pressure on the Beijing-Guangzhou and Beijing-Shanghai trunk lines.

New Shanxi-Henan Rail Line To Improve Coal Transport

OW1302183790 Beijing XINHUA
in English 0626 GMT 12 Feb 90

[Text] Beijing, February 12 (XINHUA)—China will soon begin the construction of an electrified railway line

between Houma in Shanxi Province and Yueshan in Henan Province to transport coal from Shanxi to southern China.

Located mostly in mountainous areas, the railway will have an 8.7 km tunnel and 146 bridges, accounting for 29 percent of the total length of 266 km.

The new line will join the Jiaozuo-Zhiliu railway line running southward from Yueshan.

The railway is estimated to cost 1.96 billion yuan (about 4.1 million U.S. dollars) and will be completed in 1994.

Shanxi is the largest coal producer in China, while the southern part of the country has been suffering from a coal shortage for years.

Jiangsu's Xuzhou Railway Hub Project Complete

OW0602111990 Beijing XINHUA in English
1034 GMT 6 Feb 90

[Text] Nanjing, February 6 (XINHUA)—The Xuzhou Railway hub, in east China's Jiangsu Province, has completed its principal transformation project and has greatly improved its transport capacity.

The new Xuzhou Railway hub includes a large semi-automatic marshalling yard, six large railway overpasses and seven railway and highway overpasses which cut

across the city of Xuzhou. The Jiulishan freight yards cover more than 66 ha and a dozen stations have been transformed or enlarged.

The volume of rail freight and passenger transportation will increase by 25.5 percent and 36.4 percent, respectively, over the figures for 1985.

Xuzhou, the intersection of the Tianjin-Nanjing line and the Longhai line (Lianyungang to Lanzhou), is the hub of railway communication in east China. The transformation project cost 614 million yuan.

Air Traffic Control Center Planned for Hainan

*OW0303201290 Beijing XINHUA in English
1527 GMT 3 Mar 90*

[Text] Beijing, March 3 (XINHUA)—The Civil Aviation Administration of China [CAAC] has decided to build an air traffic control center in Sanya City in Hainan Province.

The control center is aimed at strengthening CAAC airspace control in the area and providing service to Chinese and foreign aircraft entering and leaving the Hainan Special Economic Zone.

The aviation information zones of the airspace over the South China Sea will be divided after consultation with neighboring countries and regions through assistance of the International Aviation Organization.

The air traffic control tower will be built at the Xinfenghuangcun Airport.

Chongqing-Shenyang Air Route Inaugurated

*OW1302093090 Beijing XINHUA in English
1544 GMT 12 Feb 90*

[Text] Shenyang, February 12 (XINHUA)—The inaugural flight on a new air route linking Chongqing City in Sichuan Province and Shenyang, the capital of Liaoning Province was made today by a plane belonging to China's Southwestern Aviation Company.

The direct flight between these two important industrial cities takes three hours and covers a distance of 2,035 kilometers.

Steel Company Successful in Ocean Shipping Business

*OW1402224890 Beijing XINHUA
in English 1210 GMT 13 Feb 90*

[Text] Beijing, February 13 (XINHUA)—The Capital Iron and Steel Complex earned 760,000 U.S. dollars in its ocean shipping business in 1989.

The complex has had four ocean liners with a total tonnage of 60,000 since it established its own shipping company in 1985.

As well as transporting its own cargo, the ships of the complex in the past few years have carried an extra three million tons of goods to about 71 countries and regions, earning 18.5 million U.S. dollars.

The shipping company has set up six branches and established business relations with ports and customers at home and abroad.

AGRICULTURE

Need Seen To Reduce Peasants' Burdens

*90OH0432B Beijing JINGJI RIBAO in Chinese
3 Feb 90 p 2*

[Article by Qi Jingfa (7871 2529 4099), Tang Renjian (0781 0088 0256), Shen Xiaohui (3088 2556 2547), and Cao Hua (2580 5478): "Discussion of Peasant Burdens"]

[Text] Current State of Peasant Burdens

Peasant burdens is a specific economic concept meaning social deductions from peasant net income that contribute to neither the peasants' production (the direct production process) nor livelihood. It generally includes tax burdens, price burdens, and social burdens.

Following the 1985 issuance of "CPC Central Committee and State Council Notice on Halting Indiscriminate Imposition of Levies and Collections of Fees From Peasants," all jurisdictions took corresponding actions for a definite improvement in the fairly heavy burdens peasants carried. In recent years, however, as a result of overly high estimates of the extent of peasant prosperity, eager for success and quick benefit, some sectors and regions have put out their hands to the peasants. A trend toward marked increase in peasant burdens has appeared again. First of all, in some places, the increase in per capita peasant burdens exceeds the increase in per capita income. Take Hubei Province, for example. The per capita burden (not including price differences) increased 9.54 percent between 1986 and 1988, but per capita income increased only 4.88 percent. The former was 4.66 percentage points higher than the latter. Second, the per capita burden is fairly high relative to per capita income. If taxes are included, the burden averages between 10 and 15 percent of income. Without taxes, it is between five and 10 percent. It should also be noted that most collective withholdings, rural general assessments, and various collective fund collections, assessments, and fees, are paid in cash, yet cash accounts for only about 65 percent of peasants' per capita net income. Thus, the peasant per capita burden as a percentage of per capita net income will be much higher than the percentage of total net income. In addition, there is a marked imbalance in peasant burdens. Frequently low income peasant households bear a heavier burden than high income peasant households; medium well-developed areas and impoverished areas carry a heavier burden than developed areas, and principal

grain, cotton, and oil-bearing crop producing areas bear a heavier burden than nonproductive areas.

This intensifies even more the conflicting interests among the state, the collectives and the peasants, and among peasants themselves.

Reasons for the Increased Peasant Burden

It cannot be denied that the overly high estimate of the extent of peasant prosperity is the source of the increase in peasant burdens. Guided by this thinking, some new policies of "talking at the top and taking money out at the bottom" have appeared in succession. Some items for which the state formerly carried the burden, such as educational expenses, health immunization fees, water conservancy project expenses, and broadcasting facility fees have now been shifted to the backs of the peasants under the rubric of "the people operating people's facilities." Fund matching for many projects has been used as bait in many cases to "hook" the peasants, and so on.

In addition, the heavier peasant burden is also attributable to the following reasons: First is the proliferation of government offices, each of them adding fees. Survey statistics on peasant burdens in 141 counties in 27 provinces and autonomous regions throughout the country show that virtually all of the 10 items about which the peasants felt the burden was heaviest stemmed from government at various levels and departments concerned. Second is the short-term outlook of grassroots level cadres. After rural grassroots cadres take office, anxious to succeed and make a quick profit, quite a few of them want to complete all beneficial projects overnight. In addition, when some places evaluate the performance of grassroots cadres, they frequently focus first on the number of public welfare projects operated, thereby encouraging cadres to act on a grand scale and unhealthy tendencies toward mindless competition. Third is the lack of a sound supervisory and control system. From top to bottom, no unit in charge is designated responsible for dealing specifically with the problem of peasant burdens. In addition, no system has been universally established and perfected for examination, approval and control, and for auditing and supervision. Consequently, the way in which many jurisdictions use the funds that peasants pay is irrational.

It goes without saying that not only must peasants pay taxes to the state according to regulations, but they must also turn over withholdings and general assessments to the community collective. In addition, bearing the burden of some voluntary labor and accumulated labor work [laodong jilei gong 0525 0520 4480 4797 1562] is obligatory. These are situations that are difficult to avoid in other countries, particularly developing countries. The problem is that the burden that China's peasants carry far exceeds that of other countries, and goes beyond the limits of what they should properly carry. There is a deeper socioeconomic background to this in addition to the reasons in the several regards analyzed above. First is the tilt between workers and peasants, and

between cities and the countryside in the benefits structure. In recent years, a serious lack of coordination has appeared in the development of industry and agriculture in which state investment is tilted toward industry, and investment in agriculture has declined in all regards. An overwhelming majority of financial subsidies go to urban consumers and operators, the peasants receiving very few direct benefits, and subsidies to industries producing for agriculture declining in a straight line. Second is murky land equity relationships. Although China's constitution explicitly provides that rural land is to be under collective ownership, since the exact meaning of the concept of "collective" is not clear, frequently in actual operation land ownership rights lead to "township level ownership," and "rural level ownership." Since current national law does not permit any unit or individual to buy and sell land, and because of the low procurement prices the state pays for agricultural by-products, an overwhelming majority of leased land reverts to the state. This actually negates the authority of collectives to manage land, and their authority to benefit from it. This leads, in turn, to a "system of state ownership" of land. Since land equity relationships are not clear, the boundary line between peasant household and collective interests is also difficult to define, thereby opening wide the door for peasant households and collectives to encroach upon each others' interests. Third, peasant household dependence on community administrative organizations, and the lack of peasant ability to restrain community administrative organizations means that community administrative organizations can take for their own use all resources within the community at any time as their own needs warrant. Fourth, the building of a legal system is seriously lagging. A "Basic Code for Agriculture," an "Agricultural Investment Code," and an "Agricultural Products Market Code," all of which pertain to macroeconomic aspects of the rural economy are lacking, as is a "Cooperative Economy Code" and "Regulations For the Control of Peasant Burdens," which apply to microeconomic aspects of the rural economy.

Measures For Lightening Peasant Burdens

The interest relationships on which peasant burdens have a bearing are complex; consequently, they should be tackled in a comprehensive way.

1. Consistent agricultural tax collection policy. Currently, peasant tax burdens are truly light, but it is also clear at the same time that peasant burdens other than taxes are very heavy. Until such time as their nontax burdens are reduced, unilateral increase in the peasant tax rate will be impossible.
2. Gradual increase in procurement prices paid for staple agricultural products including grain, cotton, and oil-bearing crops. The state should first readjust the fixed procurement price of grain insofar as necessary and possible on the basis of a relatively fair price ratio between grain and fertilizer of 1:1.5 (the average price ratio between 1979 and 1983). Then, it should straighten

out the procurement prices of agricultural products such as cotton, oil-bearing crops, sugar-bearing crops, and hogs using the relatively fair internal price ratios that have come into being over the years among agricultural products.

3. Strengthen the collective economy to reduce the peasants' burdens. Practice has shown that so long as peasant household family operations are fully respected, appropriate collective retention and increase of some productive projects such as reserve amounts of land, tree farms, truck farms, and orchards, and particularly the active development of township and village collective enterprises, is a fundamental way in which to make the peasants become prosperous and reduce the peasants' burden.

4. Fixed limits on withholdings and general fees. The principle of "taking measured amounts and using them sensibly" should be adhered to, thereby regularizing and legalizing the peasants' burdens in terms of particulars and amounts. Collective holdings should be limited to public accumulation funds, public welfare funds, and administrative expenses. Township (or town) general assessments should be used mostly for township and village school operation, militia training, giving special care to disabled servicemen and to family members of revolutionary martyrs and servicemen, planned parenthood, and transportation. Appropriate amounts should be set for collective withholdings, general assessments, and voluntary labor, and these amounts should not be raised arbitrarily.

5. Institution of a strict budgeting and final settlement system. Collective withholdings are proposed by the rural cooperative economy organization, and are discussed and approved by villagers or a villagers representative assembly. Township general assessments are township government budget plans, which are drawn up and reported to the township people's representative assembly for deliberation and passage, and then reported to county authorities concerned as a matter of record. At the end of each year, the township government is required to report to the township people's representative assembly how collective withholdings and general assessment monies were used, and it is to publicize this information for the peasants, accepting their supervision and inspection.

6. Change in peasant burden collection methods. Collective withholdings might be alternatively apportioned on the basis of population, farmed acreage, or income received from contracting. General fees might be apportioned on the basis of population (meaning the population of a household relative to the population of the village); and voluntary labor and labor accumulation work might be apportioned on the basis of the number of workers per household. Advance collections or one-time exactions are strictly forbidden.

7. Places having requisite conditions might link "two fields system" (grain ration fields and responsibility

fields), or "three fields system" (personal use fields, grain ration fields, and commodity fields) pilot projects, using the collection of land contracting fees as a method to be used instead of collective withholdings and general assessments. This would help clarify and define the benefit relationship between the collective and peasant households, and it would also help reduce conflicts and frictions between grassroots level cadres and peasants.

8. With reform of the country's financial contracting system, and gradual promotion of a tax apportionment system, local general fees can be replaced by increasing the agricultural tax or by increasing agricultural surtaxes. In this way, the percentage of village level collective withholdings or contracting fees could be reduced to within three percent of peasant income.

Funds Shortage Hampers Purchase of Bumper Grain Harvest

90OH0423A Beijing JINRONG SHIBAO in Chinese
3 Feb 90 p 2

[Article by Zhang Zhenghua (1728 2973 5478): "The Joy and Anxiety Following Our Bumper Harvest"]

[Excerpt] [passage omitted] Coincident with China's 1989 abundant grain harvest there has been an outflow of expressions of joy. However, there are those who know that following the joy of a bumper harvest there is anxiety.

There have been news reports that, after the paddy harvest, grain farmers in some localities have had great difficulty in selling their grain. This has been especially the case in the large grain-producing provinces of Hubei and Hunan. In Jianli County in Hubei, some farmers trying to sell their grain have stood in line around the clock for 4 days without reaching the front. Nan County in Hunan had issued 10.49 million yuan in "IOUs" as early as when the early paddy was being put up. Grain purchasing departments were forced to stop buying negotiated price grain in mid-September, 1989 because the market allocation had not come out, or when it did come out, they could not collect the funds. A band of grain dealers took advantage of the situation, forcing down the prices and causing panic sales. The cheap grain prices that they created harmed the farmers. According to reports, Hunan in early September last year had 250 million yuan in unsettled accounts in grain funds, and by the end of October, Hubei's unsettled accounts in grain funds had reached as much as 333 million yuan.

The difficulty with selling grain this way is not the worsening crisis in the relationship between grain supply and demand that is created but rather the crisis in purchasing funds. Is it that the purchasing funds released by the banks are too meager? The facts show otherwise. According to statistics, the amount of purchasing funds released is more than the amount needed for grain commodity reserves rather than less. According to the monthly statistical journal of the Ministry of Commerce, at the end of November 1989, the amount of funds being

used for China's grain enterprise commodities stood at 72.42 billion yuan, the amount of bank loans that all grain enterprises had received came to 92.5 billion yuan, and there were more than 20 billion yuan in funds not guaranteed by commodities or materials.

Experts in the field say that there are many different reasons for the crisis in purchasing funds. Enterprises throughout China are in arrears on their payments to each other; credit funds are tied up in financial administration; banking personnel have created obstacles and bottlenecks; and sometimes there are factors impossible to pin down. However, leaving aside the more profound reasons for encouraging other production and only considering the present system for controlling loan funds, economically, there are definitely some worrisome problems.

Everyone knows that grain is purchased seasonally but consumed throughout the year. The loans are released in the rural areas and recovered in the cities, that is, they are released by the Agricultural Banks and recovered by the Industrial and Commercial Banks. At present, credit transactions for grain enterprises above county level (including large grain warehouses, grain and oil processing plants, and city retail outlets for grain) are controlled by the Industrial and Commercial Banks. Credit transactions for grain enterprises below county level (including grain and oil purchasing stations, basic-level grain storage facilities, and some grain and oil processing plants and feed processing plants) are controlled by the Agricultural Banks. This present pattern of control where, for grain purchases and feed sales, there are two types of loans for one type of commodity has created a loan funds system in which the head often cannot see what the tail is doing.

During my surveys, I have found that there are four problems in the process of market allocation for grain purchasing funds. First, when the market allocation for grain comes out, the enterprises concerned do not have any money. All they have are long-term delinquencies. Second, even though the enterprises in question might be able to pay and even though from the marketing area to the production area the transactions are between one Industrial and Commercial Bank and another, because funds owed by production area Industrial and Commercial Banks to market area Industrial and Commercial Banks are not properly remitted, even after they have been offset, they are still not returned. Third, even though there is money that is returned, the production area Industrial and Commercial Banks refuse to pay it out because of their funds crisis. Fourth, money that is returned to an Industrial and Commercial Bank still cannot be placed into the first line of grain purchasing because the loans must first be returned to the Industrial and Commercial Bank. Heilongjiang reports that market allocation grain loans take an average of 64 days within the province and 48 days within a county. Sichuan reports that, because of bottlenecks and the impossibility of promptly settling interregional and interenterprise debts, purchasing funds of the basic-level enterprises are severely lacking and a large volume of loans that should

have been collected have not been collected. Guangxi reports that grain enterprises throughout the region have opened a large number accounts with the Industrial and Commercial Banks. However, they cannot use them for purchasing. Purchasing funds of the basic-level grain enterprises are extremely tight. Even after the grain is allocated, they cannot obtain loans. The Wuhan City grain company in Hubei remitted grain funds through the city's Industrial and Commercial Bank in the amount of 4.2 million yuan to Jingshan County. The Jingshan County Industrial and Commercial Bank gave as its reason for refusing to pay the funds the lack of an account in the county bank. As a result, the bill of exchange went back and forth 7 times. Only after the county government interceded was it decided to pay 700,000 yuan. To this day, the remaining 3.5 million yuan has not been settled. This shows how urgent it is to resolve these artificial bottlenecks that the self interests of two large specialized banks have created. Grain departments in all localities are vigorously calling for the unified control by one bank to take appropriate action with regard to grain loans in order to resolve these interregional and interenterprise problems in settling accounts.

The new year has begun, and spring sowing is about to take place. If the difficulties in selling grain still are not resolved properly and policies cannot be honored, the peasants' enthusiasm this year for planting grain will be undermined and the proposal that the peasants increase their investment in agriculture is bound to turn into empty words.

At present, as far as the financial departments themselves are concerned, what needs to be done is to resolve the yearly purchasing funds crisis by effectively handling the relationship between the central bank and the specialized banks, the relationship between the specialized banks and the purchasing departments, especially the grain departments, and the internal relationships among the specialized banks. To effectively handle these relationships will require our reviewing and deliberating on the shortcomings of the present system. Otherwise, every year when the crops get ripe, we will have repeat ourselves over and over.

Agriculture Ministry Releases Meat Prices

HK1603124590 Beijing CEI Database in English
16 Mar 90

[Text] Beijing (CEI)—Following is a list of meat prices at free markets in China's major cities on 10 March 1990, released by the Ministry of Agriculture:

City	Pork	Beef	Mutton
Beijing	7.00		
Tianjin	5.	6.40	6.80
Taiyuan	5.60		7.00
Hohhot	7.00	7.00	8.00

City	Pork	Beef	Mutton
Shenyang	6.00	7.20	12.00
Dalian	5.20	8.00	
Shanghai	10.00	11.00	
Nanjing	7.60	7.60	5.00
Hangzhou	6.80		
Ningbo	7.80	9.60	
Hefei	5.10	6.00	
Fuzhou	9.00	9.00	12.00
Nanchang	6.00	8.20	
Jinan	6.00	8.40	5.80
Zhengzhou	6.00	10.00	7.00
Wuhan	7.00	7.20	5.60
Changsha	6.00	7.00	6.20
Guangzhou	12.00	12.00	12.00
Nanning	7.60	7.60	
Chongqing	5.20	7.00	
Xian	5.00	6.00	7.00
Xining	5.40	6.00	6.00
Yinchuan	4.60	7.60	7.40
Averaged	6.73	7.97	7.69
Growth rate (percentage)	-3.7	1.4	-4.2

Unit: yuan/kg

Sugar Prices Increase

40060036E Beijing NONGMIN RIBAO in Chinese
5 Mar 90 p 1

[Summary] During the 1990-1991 pressing season, the procurement price for each ton of sugarcane is 140 yuan and 155 yuan per ton of beets, an increase of 15 yuan per ton over the 1989-1990 pressing season.

Edible Oil Prices by City Released

HK1903122190 Beijing CEI Database in English
19 Mar 90

[Text] Beijing (CEI)—Following is a list of edible oil prices at free market in China's major cities on March 10, 1990, released by the Ministry of Agriculture:

City	(unit:yuan/kg)		
	Rapeseed Oil	Sesame Oil	Soybean Oil
Beijing	4.80	14.00	5.60
Tianjin	4.80	14.00	5.60
Taiyuan	5.40	13.00	5.40
Hohhot			
Shenyang		15.00	
Dalian			
Shanghai			

City	(unit:yuan/kg)		
	Rapeseed Oil	Sesame Oil	Soybean Oil
Nanjing			
Hangzhou			
Ningbo			
Hefei			
Fuzhou			
Nanchang	6.10		6.40
Jinan		14.00	5.20
Zhengzhou	5.40	11.00	5.60
Wuhan	5.40	13.20	5.40
Changsha	5.50	10.80	
Guangzhou		13.50	
Nanning			
Chongqing			
Xian	6.00	12.00	
Xining			
Yinchuan		6.00	
Averaged	5.50	12.40	5.56
Growth rate (percentage)	-0.7	-1.2	-0.9

Cereal Market Prices by City Released

HK1903123390 Beijing CEI Database in English
19 Mar 90

[Text] Beijing (CEI)—Following is a list of cereal prices at free market in China's major cities on 10 March 1990, released by the Ministry of Agriculture:

City	(unit:yuan/kg)		
	Rice	Maize	Soybean
Beijing	2.40		
Tianjin		1.00	2.40
Taiyuan	2.20	0.72	2.00
Hohhot			
Shenyang	1.50		1.80
Dalian			2.00
Shanghai		1.20	2.80
Nanjing	1.60	1.10	2.00
Hangzhou			
Ningbo	1.30		
Hefei		0.94	1.50
Fuzhou			2.40
Nanchang		0.84	1.98
Jinan	2.10	0.80	2.00
Zhengzhou	1.70	0.80	1.70
Wuhan			1.80
Changsha	1.30	0.84	1.90

City	(unit:yuan/kg)		
	Rice	Maize	Soybean
Guangzhou			3.00
Nanning		1.08	2.20
Chongqing		0.92	
Xian	2.40	1.10	2.40
Xining	1.84		
Yinchuan	1.40	0.76	1.60
Averaged	1.79	0.93	2.08
Growth rate (percentage)	-1.6	-2.1	-5.9

Hubei Grain Procurement

40060036D Beijing JINGJI CANKAO in Chinese
2 Mar 90 p 2

[Summary] By the middle of February, Hubei grain departments had procured over 3.2 billion kilograms of grain at negotiated prices; the negotiated price for 50 kilograms of medium grade rice is 40 yuan.

Peasant Per Capita Income Rises in Hubei

90OH0432A Wuhan HUBEI RIBAO in Chinese
4 Feb 90 p 1

[Article by reporter Ma Junxian (7456 0193 6343): "Peasant Per Capita Net Income in the Province Sets All-Time Record; Reaches 571 Yuan in 1989"]

[Text] A provincial Bureau of Statistics survey team random sampling of rural villages throughout the province shows the following: In 1989, the per capita net income of peasants throughout the province set an all-time high reaching 571.84 yuan, up 74 yuan from 1988 in a 14.86 percent increase.

Income from family operations accounted for most of peasant cash income. Per capita net income from this source averaged 509.65 yuan, or 89.13 percent of total net income, in a 0.66 percentage increase over 1988. The increase in peasant income from family operations was attributable primarily to the development of farming and animal husbandry. Additionally, the peasants benefited somewhat from price reform. Prices increased for nine of 15 major agricultural by-products including grain, cotton, edible oil, meat, poultry, eggs, and fish, and they fell for six, the rise and the fall offsetting each other. The 37.12 yuan per capita income increase was larger than in most years recently.

Two problems deserve attention. One is that although peasant income in mountain regions increased faster than in other areas, the gap widened in absolute terms. Take a comparison of mountain regions and hill regions, for example, which shows the income gap widened from 112.46 yuan in 1988 to 126.71 yuan in 1989. Second, peasant income obtained from the collective economy decreased. Since it is difficult to get rural enterprises

going, peasant per capita income from this source declined from 16.09 yuan in 1988 to 15.21 yuan in 1989.

Causes, Effects of Liaoning's Poor Grain Harvest Analyzed

90OH0467A Shenyang LIAONING JINGJI BAO
in Chinese 18 Jan 90 p 4

[By Yin Wentao (1438 2429 3447)]

[Text] In 1983, Liaoning Province set a record in total annual grain output by producing 14.85 million tons, with a per capita output of 409 kilograms. The subsequent years saw fluctuations in production. In 1985, total grain production dropped to 9.76 million tons, with a per capita output of 265 kilograms. It was the lowest production in 10 years. Even though there was a recovery in 1988, with total grain production reaching 13.07 million tons and with a per capita yield of 342 kilograms, the gap was still relatively wide when compared with the record setting year of 1983.

During the period of fluctuations in production, Liaoning grain production and sales were confronted with a fairly serious situation. This was mainly manifested as follows.

1. The increase in population and the sharp reduction in land each year brought a further decrease in the per capita amount of cultivated land. The land and the natural resources on which we depend for our existence was severely encroached upon. Liaoning now has 38.25 million people. Its population has increased 2.09-fold since the founding of the People's Republic, a net increase in 40 years of 19.95 million people and an average net increase of 500,000 people each year, equivalent to the population of a medium-sized county. At the same time, the area of cultivated land has dropped from 71.09 million mou to 52.18 million mou, an average decrease of 500,000 each year. The per capita amount of cultivated land dropped sharply from 3.88 mou to 1.36 mou, an average decrease of 2.7 percent each year. With the expansion in capital construction in recent years, the competition for land between large industry and grain producers is becoming more intense.

2. The increase in grain production is less than the increase in the demand for grain. The supply and demand problems with respect to grain are getting worse. Less than 47 million mou have actually been sown to grain in recent years. For some time now, we have had to rely each year on more than 1 million tons grain brought in from outside or imported to balance the needs of supply and demand. In recent years the supply and demand problem has become more prominent because of the development in husbandary enterprises and growth in the industrial grain. Compared to 1983, grain production in 1988 decreased 12 percent. At the same time, the population increased 5.14 percent and per capita consumption of meat increased 10 percent, eggs 2-fold, poultry 1.4-fold, and the production of alcoholic

beverages, which relies mainly on grains, had an extraordinary expansion, with the production of one of the products, beer, increasing 1.27-fold.

3. External factors affecting grain production worsened, and the short periods during which grain production increased could not bridge the gap. Grain still had to be brought in from the outside to meet demand. In 1989, Liaoning experienced one of its worse droughts in years. Initial estimates are that total grain production will be 3.5 million tons less than in 1988 and the total production will only come to 9.25 million tons, a per capita output of 242 kilograms. In addition to our inability to cope with the natural elements, this has also exposed our aging agricultural infrastructure and our frail ability to withstand natural disasters, which are some of the major causes of our decreased grain production. With the relative slowdown in increased agricultural investment, there have been shortages in the supply of materials needed for production and their prices have not dropped. As a result, the external factors that grain production needs for steady growth are being increasingly blocked. By the end of the century, Liaoning's population will reach 45 million with an estimated per capita grain consumption of 400 kilograms. We will need 18 million tons of grain. Even if we can guarantee that 45 million mou will be sowed to grain, without any fundamental improvement in the external factors affecting production, the most we can expect in total production is 15 million tons. We will still have to bring grain in from the outside or import large quantities. We are still burdened with the heavy responsibility of solving the food problem.

Reversing the ever-increasing supply and demand problem is an urgent economic task for Liaoning. If we are to reassure the people, we have to act fast to alleviate the grain shortage. We must take a series of comprehensive political measures that will have strong long-term effects on increasing grain production; that will consolidate agriculture, the foundation of our national economy, and meet our needs for sustenance.

First, we must preserve the land now under cultivation and rely on internal factors by increasing investment and raising output. Relying on added investment to enhance production in a limited area of cultivated land means increasing the area sown in grain and expanding the use of new varieties and new techniques. Since the Seventh 5-Year Plan began, 528,000 mou of cultivated land have been taken over each year. The amount of land sown to grain has shrunk by 225,000 mou each year. It is our heavy responsibility to put a stop to these encroachments and takeovers of our land, a resource that cannot be renewed. To accomplish this will benefit both us and future generations. Based on the trend in recent years for average per unit grain yields to increase somewhat and, if by the end of the century Liaoning can maintain 51 million mou of land under cultivation, if it can maintain 45 million mou in grain, and if it can increase investment to ensure that cultivated land is more and better utilized for grain production, then, without increasing

the amount of grain brought in from the outside, we could feed 3.75 percent of the nation's population by utilizing 3.64 percent of the cultivated land.

Second, to increase the area of cultivable land, we have to take the route of extensive development. We must do our best to open up agricultural resources, greatly increase investment in farmland capital construction, make use of investments from the state, localities, collectives, and individual peasants, employ multichannel means of raising funds, and concentrate financial resources on building several relatively large agricultural projects. The large-scale projects to develop farmland which are now being carried out or which we plan to carry out in the Liao River delta, the development of 3 million mou of key land in Chaoyang, and the opening up of agriculture in the six counties in the northwest of the Liao River plain can, by reclaiming for agriculture 600,000 mou of wasteland and transforming 10 million mou of low- and medium- yield land, will increase grain output by 1 million tons. At the same time, we must, on the 1.1 million mou of shoreline area we now use for raising aquatic products, expand the raising of aquatic products and develop it for standard agriculture in order to reduce the competition for farmland.

Third, while we are involved in further deepening the system of contracted household responsibility related output, reforming the agricultural economic system, and arousing the enthusiasm of the peasants for planting grain, we have to, on the one hand, effectively grasp the rectification and development of township and town enterprises and, on the other, effectively grasp grain production. By shifting the agricultural labor force for use in developing township and town enterprises, by organizing the management of grain production on an appropriate scale, and by concentrating the cultivated land in hands of those capable of planting it and those households that specialize in planting grain, we will gradually create the advantage of having management of scale. We should also have the township and town enterprises support grain production. In the rural economy, grain should be primary and industry should supplement agriculture. To make up for the temporary shortages in the state budgets for funds to improve agriculture, we should, as much as possible, promptly shift earnings of township and town enterprises to investments in grain production, thereby advancing grain production to a new level.

Fourth, we must work hard to promote and advance the building of agriculture scientifically and technically. The presently available contingent of agricultural scientific and technical talent should be urged to go to the rural areas to reinforce the ranks of agricultural and technical personnel there by arming and strengthening them with methods of scientific research. This would constitute a material foundation for building agriculture scientifically and technically. In recent years, Liaoning has obtained relatively good results from the "one, two, three" project, from the spark plan, and from assigning scientific and technical personnel as county deputy

chiefs. In the near future, we should be applying important work being done in agricultural scientific research to the cultivation of relatively strongly resistant high yield varieties, to the growing of plants under draught conditions, to improving the soil, and to the prevention and control of damage by disease and insects. At the same time, we should produce and supply industrial products for agricultural use, especially chemical fertilizers, agricultural chemicals, plastic ground sheeting, and small-scale, multi-use farm machinery in order to improve grain production.

Fifth, we must effectively control the increased demand for grain. We must, on the basis of Liaoning's specific circumstances with respect to grain production, the amount of grain brought in from outside, and grain consumption, stipulate a correct policy for its consumption and achieve an approximate overall balance between production and demand while guaranteeing that urban and rural people are adequately fed and that there is a large selection of varieties. With regard to grain

varieties, we must be able to bring in from outside what is not imported, produce ourselves what is not brought in from outside, and import the means of producing grain that we cannot directly import. We must readjust the province's industrial structure with respect to grain used in production, especially those processing industries that use grain as their primary raw material. We must control the present gradually growing demand for grain as a raw material, actively seek substitute materials, and strive to economize a portion of the grain reserves used in industry.

Zhejiang Rural Savings

40060036C Beijing JINGJI CANKAO in Chinese
25 Feb 90 p 2

[Summary] At the end of January, rural saving deposits in agricultural banks and credit cooperatives in Zhejiang Province exceeded 12 billion yuan, a net increase of 639 million yuan over the end of 1989.

Developing New Disciplines in Philosophical Social Sciences

90ON0445A Beijing ZHONGGUO SHEHUI KEXUE
[CHINESE SOCIAL SCIENCES] in Chinese
No 1, 10 Jan 90 pp 45-54

[Article by Yu Guangyuan (0060 0342 6678): "The Establishment and Development of New Disciplines in the Philosophical Social Sciences"]

[Text] *This writer feels that the establishment and development of new disciplines is compatible with the laws that govern the development of science. The term "discipline" refers to a field of study which is established at a particular point in history. In China, a new discipline must be original, and it must have socialist and Chinese characteristics. From among the many new disciplines that have been established in recent years in China or that are still in the formative stages, this writer has chosen three representative examples: "production capacity economics," "the study of intelligence" [congming xue 5115 2494 8330] and "socialist social organization studies" in order to analyze some problems that are easily encountered in the course of the establishment and development of new disciplines within the philosophical social sciences. The problems that must be considered are primarily the following: 1) a specific and clearly identified subject of research; 2) the nature and basic content of the discipline in question; 3) the practical use to society of the discipline in question; 4) the significance of the discipline in question to the development of the philosophical social sciences; 5) the direction in which the discipline in question will develop, and its future; 6) the issue of whether the necessary conditions exist for the creation and development of the discipline in question.*

Yu Guangyuan, born 1915, economist.

I

Since the 3d Plenary Session of the 11th Central Committee, and particularly in the last few years, a remarkable phenomenon has occurred in China's philosophical social sciences: A considerable number of new disciplines have begun to be established and developed. The general situation can be described as follows: 1) Some workers in the philosophical social sciences have been employing a variety of methods to promote what they feel are new disciplines that should be established and developed. They have published essays on the subjects and methodologies of these new disciplines, and on the academic and practical significance of the establishment and development of these new disciplines. 2) Some workers in the philosophical social sciences have already set about to establish these new disciplines. They have done research in these new disciplines, written articles and monographs, and established systems for them. 3) They have edited and published specialized periodicals, dictionaries, and textbooks for these new disciplines. 4) They have held academic conferences for some new disciplines, organized lecture series, and held seminars. 5) In the higher education system, some new disciplines

are being taught and included in the regular curriculum. Some places have even established new specialties, as well as corresponding organs of instruction and research. 6) Research societies have been set up for some new disciplines. These phenomena have attracted attention from people in China's philosophical social sciences community, and even from people in other fields who take an interest in China's philosophical social sciences. Some have brought up several questions and done some thinking about them, such as: What is the importance of the establishment and development of new disciplines to the development of China's philosophical social sciences? What issues exist in relation to this area of research that are worth thinking about and exploring? What attitude should we adopt toward this situation?

I attach relatively great importance to the establishment and development of new disciplines in the philosophical social sciences. I have been pushing for the establishment and development of production force economics, land resources economics, economic and social development strategy studies, economic returns studies, intelligence studies, and I have done a lot of work on these subjects. I am also very interested in the establishment and development of responsibility studies, socialist social group studies, socialist culture studies, socialist enterprise studies (including enterprise economics, enterprise operation studies, enterprise management studies, enterprise culture studies, enterprise society studies, enterprise politics studies, and enterprise law studies). However, I have never written an article devoted to a general discussion of new disciplines in the philosophical social sciences. What the reader sees here is the first one.

Let us first say something about the concept of a new discipline. If we are to discuss new disciplines, we must first talk about what a discipline is. A discipline is a branch of science. A particular discipline is a particular branch of science. The Chinese term "kexue" [science] was originally translated into Chinese from the European languages—scientia (Latin), science (French, English), scienza (Italian), ciencia (Spanish). In Chinese, the term "xuewen" [learning] is similar in meaning to "kexue" [science], but "xuewen" and "kexue" have different nuances. The European term "scientia" is a synonym or near synonym of the Chinese term "zhishi" [knowledge] (just as the terms "sciences" and "knowledge" in English are synonyms or near synonyms). Science demands that one possess knowledge. It is contraposed to ignorance and error. However, the concepts of science and knowledge cannot be completely equated. The concept of science also includes a certain attitude about how to treat knowledge; it is not just a matter of having or not having knowledge. Science is not the same thing as a lot of stray, disconnected knowledge. Science demands that knowledge be systematized, and, because it is systematized, knowledge comes to be categorized, and the various branches of science come into being. From the perspective of the origin of these terms, and

their roots, the "scientia" in the aforementioned European languages is not categorized. There is no intent to divide knowledge into separate branches, while in Chinese, because the term "kexue" [science] is used, science is, by definition, knowledge that has been categorized and systematized, and this is clearly demonstrated semantically.¹ Thus, science [kexue] can be seen as the general term that encompasses the sum of the various disciplines [xueke], while the terms natural science, social science, science of thinking [siwei kexue 1835 4850 4430 1331], or economic science and political science, are names used to refer to a particular branch of science established with a particular phenomenon as its object of study. In simple terms, this is the concept of what a discipline is.

Because mankind's knowledge is continually increasing, the content of the various branches of science (the various disciplines) will become fuller and fuller as history advances and society progresses. What is more, the various branches of science become more and more narrowly defined, and the number of disciplines within science becomes greater and greater. Thus, a certain phenomenon occurs during the course of scientific progress: At any particular point in history, a distinction exists between new disciplines and original disciplines (old disciplines). The reason we specially highlight the phrase "at any particular point in history" is because at different points in history, what was a new discipline during an earlier period will have become an old discipline in a later period, and other new disciplines will have appeared in the meantime. What is referred to as a new discipline is any discipline that is in the process of being established at a particular point in history. For this reason, from the perspective of disciplines, the development of science is a process by which the content of old disciplines becomes increasingly plentiful and deep, and that of new disciplines is continually established and developed in response to objective demands. In the philosophical social sciences, just as in the natural sciences, the establishment and development of new disciplines occupies a position of great importance. Development and innovation within old disciplines cannot obviate the need to establish and develop new disciplines. As society's progress quickens, knowledge is updated more rapidly, and greater demands are made of the social sciences, which makes the establishment and development of new disciplines more notable.

Of course, we are not saying that all old disciplines continually develop and become fuller in content. A minority of old disciplines can gradually decline as knowledge is gained. Some old disciplines can turn into new disciplines as knowledge is gained, and some new disciplines can grow out of old disciplines. One absolutely must avoid sticking to a mechanistic understanding of the difference between old and new disciplines. This is so with the natural sciences, and it is so with the philosophical social sciences.

It has long been my opinion that the various branches of science can be divided into two categories: "general

sciences" and "Marxist sciences." The term "general sciences" refers to those branches of science that are not by nature either bourgeois or proletarian; that can serve the bourgeoisie and capitalism or the proletariat and socialism. The natural sciences and many of the philosophical social sciences belong to the general sciences. Some other branches of science are Marxist sciences. They belong by nature to the proletariat and to socialism. They are sciences that can serve only proletarian, socialist revolution and reconstruction (of course, there should also be "bourgeois sciences" which belong by nature to the bourgeois, and can serve only bourgeois capitalism. I shall not address myself to the bourgeois sciences). I define Marxist science as any scientific thesis that uses Marxist philosophy (the correct world view and methodology embodied in dialectical materialism and historical materialism) to study deeply into contemporary society and the contemporary world; to obtain the objective laws which govern the development of things and events; and to find out how to advance historical progress. Marxist philosophical social sciences, understood in this manner, are continually being developed and added to. In terms of their fundamental principles, they are old; in terms of their content, they are new.

The point of this discussion is that the establishment and development of new disciplines is a phenomenon that is in accordance with a sort of law that governs the development of science. Of course, the development of science is the result of people doing scientific research. It is the product of human will. However, the fact that people need to do scientific research is the product of an objective reality. There is a certain relationship here between subjective and objective realities.

Let us now consider this issue from another angle—the guidance of the development of China's philosophical social sciences. China is a socialist country. The party, the government, and such scientific research organs as the Chinese Academy of Sciences and the Chinese Academy of Social Sciences, are responsible for guiding the development of the sciences in China. This guidance must, of course, be based on the special characteristics of scientific development. It must respect the objective laws of scientific development and must strive to play a truly positive role. Some of the issues regarding the establishment and development of new disciplines in the philosophical social sciences that some comrades today are bringing forward, have been brought forward from the perspective of guidance.

At this point, I would like to draw some connections between the issue we are discussing now and some things that I came to realize while participating in work to formulate a program for China's philosophical social sciences. There is not any necessary link between these two things; it is not necessary to formulate a program before establishing and developing new disciplines. New disciplines were being established and developed before there were such programs, and they are still being established and developed in countries that have no such programs. Even in countries that formulate scientific

development programs, new disciplines are not necessarily established and developed in the manner prescribed by the program. The establishment and development of new disciplines cannot always be written into the program for the philosophical social sciences, nor is there always a need for it. I only draw a connection between these two things because we are now looking at the establishment and development of new disciplines from the perspective of guidance, and programs are formulated in order to provide guidance for the development of the philosophical social sciences. After considering the two things together, I have come to the conclusion that we did not pay enough attention to the issue of new disciplines in the past when formulating our programs.

In China, the first unified national program for the philosophical social sciences was the "12-Year Long-Range Program for the Philosophical Social Sciences," which was part of the "1956-1967 Scientific Development Program."² The following points were written into the program: 1) What key subjects should be studied and what key works should be written; 2) What materials should be collected, edited, and published for the benefit of the philosophical social sciences; 3) China's local histories and gazetteers should be edited and revised; 4) A Chinese encyclopedia should be compiled and published; 5) In order to develop China's philosophical social sciences, it was also written into the program that research organs for the philosophical social sciences must be established and developed, and that libraries capable of providing services for workers in the philosophical social sciences must be beefed up. The program also stated specifically that personnel for the philosophical social sciences must be cultivated. I participated in the formulation of this program and held a position of relatively heavy responsibility. I was working in the Science Division of the Central Propaganda Ministry and was responsible for guiding the formulation of the program. Because the leaders of the ministry had no time to devote to the project, the responsibility for guiding the compilation of the program fell upon my shoulders. During the evaluation in 1958, the leaders criticized me, saying that when doing this work, I had not understood the special characteristics of the philosophical social sciences. They said that I had not been able to consider how to spur people to think about the nature of the problems that they were actually encountering in real life. I had turned work that had a strong ideological content into nonideological work. They said that in the work to formulate the program, I had spent too much time on practical matters, and had failed to do a good job of ideological work. I accepted this point and paid attention to it in later work. In 1977, when I was responsible (as vice president of the Chinese Academy of Social Sciences) for program formulation, I took care to overcome the shortcomings that detracted from the formulation of the 1956-1967 Program for the Philosophical Social Sciences. However, during the formulation of this program, I did not think about the establishment and development of new disciplines. No one had

ever mentioned the matter before. For this reason, although I had participated in all the work on philosophical social sciences programs since 1955, I had never thought about the fact that the issue of the establishment and development of new disciplines should be discussed during the formulation of the program. I lacked this understanding at that time.

During the formulation of the program for the natural sciences, someone brought forward the concept that "the task drives the discipline." The phrase "the task drives the discipline" means that every discipline, natural science, and technical department, is asked to contribute to the task of developing the economy and strengthening national defense. Doing this can drive development in every discipline. This is the materialization of a guiding tenet that was brought forward as we were deliberating on scientific development. This guiding tenet calls us to link theory with concrete realities. I basically accepted this idea, but I emphasized that one cannot pay attention only to the achievement of specific tasks while ignoring the issue of developing disciplines. If we are to enable tasks to truly drive the development of disciplines, we must consider the development of disciplines themselves in a clear, conscious manner. We cannot pay attention solely to the application of science and let the development of disciplines drift, thereby giving rise to a situation in which "the task replaces the discipline." Therefore, when we formulated the program for the philosophical social sciences, I stressed that we must propose key research issues for various disciplines, and that we must indicate what key works needed to be written, but I did not argue that we should discuss what issues existed in connection with the development of every discipline, or that we should use the results of such discussions to formulate a long-range program for every discipline. I remember that when we were formulating the program in 1956, scholars from every discipline held many conferences and discussed programs for their respective disciplines, but I did not act upon any higher demand by suggesting any particular question for everyone to deliberate upon. While we were formulating the program for the natural sciences, a young comrade from the Central Propaganda Ministry's Science Division argued that we must build a "seamless, unassailable scientific front." Because it takes enormous financial resources to build up some branches of natural science, I did not agree very much with his idea. However, I did not think about the significance of this idea for the philosophical social sciences. The conditions accompanying the development of the philosophical social sciences and the natural sciences are not the same. It had not yet occurred to me at that time that, since China was the most populous nation in the world (600 million then), and it was carrying out a great task of socialist reconstruction, it therefore both needed and had the ability to establish and develop every necessary philosophical social science. I still had not come to this realization in 1977 when we again took up work on a program for the philosophical social sciences. It was after I stepped down from my post as vice president of the

Chinese Academy of Social Sciences in the 1980's that I gained a relatively clear understanding of the establishment of new disciplines in the philosophical social sciences. I was no longer involved in the formulation of programs for science. I only did what I could in my capacity as a worker in the philosophical social sciences. I published a few articles setting forth my viewpoints concerning the establishment of new disciplines.

Upon further reflection, it is apparent that there are two reasons why I did not pay a lot of attention to the establishment of new disciplines: One of them is that I had not thought enough about the field of philosophical social sciences as a whole. I had not given any thorough consideration to such objects as social life, social relationships, and knowing the people, and this limited my horizons, although participating in the formulation of long-term programs should have the effect of expanding people's horizons. One reason for this is that, at the time, I looked upon the establishment and development of new disciplines with a feeling of mystery. I felt that any "science" was an enormously important thing, and dared not think about the issue of establishing and developing new disciplines. In reality, a new discipline is nothing more than the systematic study of an object (including the fundamental content) which has already been established or presents the possibility of being established. In developed capitalist countries, there is no feeling of mystery such as existed in my mind regarding new disciplines. In the past few years, I have studied the establishment and development abroad of some new disciplines. After rethinking the issue of new disciplines, I basically overcame this feeling of mystery. However, this feeling of mystery still exists in the minds of many people. Of course, people's attitudes toward new disciplines in the last few years have been very different from what they were before. I think this fact is inseparably linked with our implementation of the policy of opening up, and with the strengthening of our links with countries throughout the world.

II

There are many issues connected with the establishment and development of new disciplines in the field of philosophical social sciences that are worth studying. While it is not correct to surround this kind of thing with an aura of mystery, neither is it correct to throw out cavalier suggestions for the establishment of a new discipline. A proposal to establish a new discipline should be made after thorough consideration has been devoted to the matter. Furthermore, the proposal must be appropriate. It must be suited to the development of China's philosophical social sciences. Also, it must be suited to the needs of China's social development.

For any particular country, the disciplines in its philosophical social sciences may be in one of two situations: The first situation is that a particular discipline already exists abroad (or it could be said that it has already been established and developed), but it has not spread to this

particular nation (we could take "this country" concretely to be China), no one is studying the discipline, no works have been published—in short, there is an empty void. There is another possible situation in which a particular discipline has been created in China and does not exist abroad. There are also two possible subsets within the latter situation: In one of the subsets, although a foreign country has a similar discipline, it is not based upon China's actual conditions, or it lacks the original content that is present in the discipline whose establishment we are now proposing. For example, China is a socialist country, and the similar discipline in the foreign country might completely lack socialist content, and it is precisely the special characteristics of socialism, or of China, or some other original and creative thing, that we intend to include in the discipline whose establishment we are proposing. The other subset involves a situation in which this discipline simply does not exist in any foreign country, and its principles are completely new. Among these situations, most of the new disciplines that have been developed in China in recent years have belonged to the first situation, or the first subset of the second situation.

In general, it is not easy to give the reader a clear impression of the types of problems encountered in the establishment and development of new disciplines in the philosophical social sciences. Therefore, from among the several new disciplines that I have been concerned with in recent years, I would like to choose a few, give the reader a basic overview of their situation, and use them as an example to discuss a few general views regarding establishment and development of new disciplines in the philosophical social sciences.

1. Production Force Economics

This new discipline within the science of economics was first mentioned by me in the early 1960's. I later wrote a fairly long article about the establishment and development of this new discipline. It should be said that production force economics is a branch of theoretical economics that is closely related to and stands alongside relations of production economics (which we commonly refer to as political economics). The object of research in production force economics is the productive forces that accompany a particular mode of production. The object of research in political economics is the relations of production that accompany a particular mode of production. Just as research into the relations of production cannot overlook productive forces, research into productive forces cannot overlook the relations of production. However, production force economics can also be an independent economic science, because the object of its research is not the same as that of the economics of production relations. At the same time, research into production force economics has a broad scope of practical application. As production force economics are being researched, established, and developed, their applied aspect must definitely be rewarded a position of importance. We must make production force economics demonstrate their significance within the applied realm.

The function of this field of science must be demonstrated. At the same time, this discipline must absorb materials from the realm of application which serve to give overall theoretical structure to this discipline. However, production force economics should maintain its identity as a theoretical science. When a new discipline within the philosophical social sciences is proposed, it must have a clear object and a clear identity. The proposal of production force economics complies with this requirement. I feel that, while a discipline such as production force economics is being established and developed, it would not hurt to establish a few branches of applied production force economics. This would be beneficial for the development of science.

Before establishing and developing a new field within the philosophical social sciences, it is also necessary to determine whether the new discipline is needed. Production force economics is a good example of one whose establishment and development is in response to a social need. China is presently carrying out socialist economic construction. The objective of socialist economic construction is to develop social production in order to meet the ever-increasing material and cultural demands of society. In order to achieve this, currently existing social productive forces must be brought fully into play, and social productive forces must be further developed. During the course of economic construction, great effort must be expended on the relations of production and the superstructure, and many people must take part in this work. Research into reform of the economic system and reform of the political system is very similar to this type of work. However, people who are directly engaged in production work, such as machine operators and managers, are often more numerous than those who engage in activities connected with the relations of production and the superstructure. Among these people who are directly engaged in production activities, there are many who have no need to give any thought to such questions as the proper tactics, program, and organization for developing productive forces. As long as they work hard, that is sufficient. However, there are many others among these people whose work is of such a nature that they must consider ways to better develop and bring into play social productive forces. In essence, this falls within the scope of production force economics. These people have a great need to arm themselves with knowledge of production force economics, but until the discipline of production force economics has been established, they cannot acquire this knowledge in a systematic way. For this reason, society is calling for the quick establishment of the new discipline of production force economics, and it is looking for good scientific results.

When one advocates the establishment of a new discipline, he or she must state clearly how this will affect the development of philosophical social sciences. When I began studying the socialist part of political economics, I discovered during my studies that most writings devoted to this discipline failed to achieve a correct understanding of the object of the socialist part of political

economics, with the result that the content of this field of science became bloated and disorganized. In addition to cramming the content of statistics and economic policy into political economics, they also stuffed things that belonged within the scope of production force economics into the socialist part of political economics. This is what made me think of the need to establish production force economics. This would give the content of the socialist part of political economics a narrower, cleaner focus, and would create conditions for the development of the socialist part of political economics. Of course, this course of action can sanction the development of an important new discipline—production force economics—thereby killing two birds with one stone.

Of course, when advocating the establishment of a new discipline, one must also ask whether the necessary preconditions exist. My research indicates that the conditions are excellent, because a lot of the content of this new discipline that has long been appearing in this area, particularly materials on the actual situations, should be said to be very abundant. Therefore, as long as we can clearly establish a theoretical system for this discipline, a new discipline, rich in content, can be established. It would not be very difficult. It has been only 30 years since I first said we should establish the discipline of production force economics. In the middle were 10 years of chaos during the Cultural Revolution. In reality, there has been relatively great progress in research involving production force economics in less than 10 years. Many monographs on production force economics have been written, and quite a few institutions of higher learning have begun to teach courses in production force economics. It should be said that this situation has not come about by accident.

When advocating the establishment of a new discipline, one must, of course, consider the scope and value of its application. This point has been discussed above, and in this respect, production force economics is outstanding.

2. Intelligence Studies

This is another type of new discipline. It basically falls within the scope of philosophy, and at the same time falls within the scope of social science research. As a phenomenon of cognition as well as a social phenomenon, the scope of application for intelligence studies is quite broad. It touches upon every field in science and every sector of society. If the scope of intelligence studies includes systematic research into the intelligence quotient, it is then a discipline that includes science and technology. Intelligence studies also provide the principles and a rich body of materials for determining what is intelligent and what is stupid.

When proposing a new discipline within the philosophical social sciences, one must clearly identify the nature, basic content, and significance of this discipline. I feel that intelligence studies meets this requirement. The establishment and development of intelligence studies is also a type of social need. Any person would always like

to be a bit more intelligent. Any ethnic group would always like to be a bit more intelligent. If the new discipline of intelligence studies were developed, became widespread, and enabled a significant number of people within a given ethnic group to become more intelligent, then this new discipline's significance would be very great. Of course, a branch of learning like intelligence studies cannot perform such a task. People can acquire intelligence and wisdom in life, or by studying science, technology, or art, or by learning various skills (and this principle is precisely what intelligence studies addresses). However, the role of intelligence studies is to enable people to learn to become intelligent, to acquire a notion of what is intelligent and what is stupid, and, on the level of such social conscience, to be more self-aware and systematic. A new discipline must benefit the progress of society if it is to be established.

In general, new disciplines generally split off from old ones. Sometimes they break away from a discipline of which they were originally a part (but within which they did not receive their due attention) in order to gain room for development. At other times, it is a matter that materials forming a new discipline appear scattered within various established disciplines; at some point these materials are rounded up from the various disciplines and a scientific system is used to group them together. There is a third situation—a combination of the two situations described above—the new discipline primarily breaks off from an established discipline, and many materials scattered among other disciplines that are capable of constituting a new discipline are rounded up, and all of these materials are grouped together. The third situation describes production force economics and intelligence studies. However, the split of production force economics away from political economics is more apparent. Furthermore, after it split from political economics, the two disciplines both belonged to an expanded field of study known as "economic science." Intelligence studies split mainly away from philosophy, but after it split away from philosophy, it did not stand alongside the latter, independent from it, but remained a subset of it. The fundamental principles of intelligence are still philosophical principles; intelligence studies have not actually become independent. The special characteristic that sets intelligence studies apart is that it makes concrete those philosophical principles that are related to intelligence. The direction of its development is lateral.

I feel that it is not enough to say that intelligence studies is a peripheral science. It should be called a lateral science. I categorize the sciences into longitudinal and lateral sciences. In the natural sciences, I call the various disciplines that are categorized on the basis of the fundamental states of matter and motion longitudinal sciences. I also use the term longitudinal sciences to refer to the various basic disciplines in the social sciences that are categorized on the basis of productive forces, the relations of production, political and legal superstructure, and various social ideologies. Production force

economics and political economics are longitudinal sciences. There will, of course, be links between the various longitudinal sciences, and the links may even be very close. Peripheral sciences, in essence, are also longitudinal sciences, but they are not among the fundamental longitudinal sciences. This does not change the fact that they are longitudinal sciences. At the edges of any two longitudinal sciences (that is, at their periphery), a peripheral science can be established. There is another type of science that can be established. It consists of the intersection of several fundamental sciences. I call this kind of discipline an intersection science. Researchers engaged in the study of science have not drawn any distinctions between border sciences and intersection sciences. I think they can be distinguished. Intersection sciences can be seen as "diagonal sciences." They are not merely the combination of two or more neighboring fundamental longitudinal sciences; they touch upon a greater number of disciplines. Then there are also lateral sciences like intelligence studies. They are like the weft in a piece of fabric, which passes laterally through every single warp. I liken the entire scientific system to a mesh woven of yarn. It is more appropriate to look at modern science as a flat piece of fabric. The sciences are an integrated whole. This mesh cannot be woven solely from the natural sciences, social sciences, or the science of thinking. The entire body of science does not consist of three separate ribbons; it is a unified mesh woven from the natural sciences, the social sciences, the science of thinking, the various fundamental longitudinal disciplines that exist among them, and various border sciences, intersection sciences, and lateral sciences.

When proposing the establishment of a new discipline, such as the aforementioned intelligence studies, one should consider the direction and future of its development. One must also consider the question of whether the base of a new discipline is strong or not. Intelligence studies is a science that sums up the people's intelligence and their acquisition of intelligence. Since the question of whether an individual is intelligent exists across such a broad spectrum, the base of intelligence studies is very strong. For this reason, there is an inexhaustible base of empirical materials to serve its development.

3. Socialist Social Group Studies

This is a representative example of another type of new discipline. It is much narrower in scope than the two disciplines discussed above. It is related only to such disciplines as social studies, political studies, and legal studies. It is only an intersection discipline of these disciplines. It falls basically within the scope of social studies and political studies. It could be said that this discipline is still in the formative stage right now. With the new discipline of production force economics, there are already many people doing research. A research association has been established, and there are periodicals, books, and courses on the subject. As for intelligence studies, there is "a magazine devoted to discussion of intelligence and foolishness"—FANGFA [METHODS]. Research on this subject has been going

on for several years. In contrast, the discipline of "socialist social group studies" is still in an embryonic stage, and its foundation is very weak.

I formally proposed the establishment and development of this new discipline in 1988. My reason for making this proposal was that, in the midst of China's socialist political and economic reforms, we need to do a good job of studying the position and role of social groups. For a long time, the issue of social groups had rarely been mentioned, social groups have been developing faster since the 3d Plenary Session of the 11th Central Committee, and only then did the issue begin to attract attention. Some people feel that the development of social groups in China is a healthy phenomenon. They feel that this is an indication that the socialist enthusiasm of people in our nation has increased, and that this can serve to advance academic research and work in all fields. However, there are others who feel that there is a glut of social groups, and that they must be controlled. When this disagreement appeared, the issue of social groups became the focus of much discussion, and the issue of legislation concerning social groups was put on the agenda. However, although people have begun to pay attention to the issue of social groups, the question is still a blank void in terms of scientific research. I have not done any research on this issue; I just feel that this type of research is very important. I began to pay attention to this issue in early 1988. I tried from various angles to learn which experts in China were specializing in research of the issue of social groups, and what works they had published (including books and articles). My purpose was to pick up some knowledge about the subject and to learn the views of the specialists. However, my efforts bore very little fruit. I discovered that the foundation for this was very weak indeed. It could be said that it was an empty discipline (The issue of "empty and weak disciplines" was actually brought up frequently back when I was working to formulate a development program for philosophical social sciences, and a significant degree of attention was devoted to the subject.) There were a few people in China's academic circles who had researched social groups in history, but apart from that, not only was there a paucity of research on social groups under the socialist system, but even books about social groups in capitalist countries had not been introduced to China. In currently existing organs of scientific research and organs of education, only a few individuals have taken note of this subject, and no one has seriously approached the topic (at least not that I know of). When I suggested that this new discipline needed to be established and developed, it was not even clear whether the term "social group" was appropriate. Therefore, we can make only a tentative decision about what this new discipline should actually be called. It cannot be confirmed until some sort of scientific results have been obtained in the process of discussion.

In reality, this is not just a problem involving a name. It has to do with the object of this discipline. When a new discipline is established, the object is, of course, the most

important issue. This issue exists with regard to production force economics and intelligence studies, but it is rather easy to identify such objects as "productive forces" and "intelligence." In contrast, with regard to socialist social group studies, we still have to discuss what it is we even intend to study. For example, it should be said that a social group is a type of "social organization," but it is not so clear what exactly distinguishes a social group from other social organizations. For example, government organs and enterprises should all be considered social organizations, but they are not the social groups to which we wish to address ourselves. Everyone can accept this idea. However, if we ask, "What is this?" there is no clear answer. For example, are political parties the social groups we are talking about? That is not easy to say. Perhaps when one answers the question of whether a political party is a social group, he or she needs to distinguish between political parties that rule and those that do not. If so, the question becomes even more complex. Therefore, the issue of "object" has become a very important question in "socialist social group studies," and it awaits study. One important objective is to provide legislation and services for social groups, but it will be impossible to meet this objective if the very concept of social groups is not clear. Of course, from an overall perspective, the reason for establishing and developing this new discipline is to aid the reform of China's political system. In order to achieve this goal, we must identify what a social group is. Every new discipline presents a distinctive set of problems that must be resolved. This is an issue that must be recognized when establishing and developing a new discipline.

When establishing a discipline like socialist social group studies, one must clarify whether the thing being studied is something under a socialist system or a capitalist system. There are, of course, some points in common between social groups under the two different systems. When establishing and developing a new discipline such as this, one should take note of these similarities. One must take seriously any relevant works from capitalist countries. One must study how they go about studying this issue. However, the motive of our study is to solve our country's problems. Some of the issues that we study will not be the same as those in capitalist countries, so when we establish and develop this new discipline, we definitely must pay close attention to the differences between social groups in socialist countries and capitalist countries. Therefore, this new discipline cannot simply be named social group studies; it should be named "socialist social group studies."

There are 10 or 20 new disciplines whose establishment and development I have advocated over the last few years. I have described three of them in this article to illustrate some of the problems that will be encountered in this work, and that need to be studied and resolved. This shows that this work requires a diligent attitude. This work must be approached with an attitude of exploration and earnestness. The issue of establishing

and developing new disciplines within the philosophical social sciences is a topic for research in and of itself. I haven't had time to study this subject deeply. I hope I will have an opportunity to return to it.

Footnotes

1. The "ke" in "kexue" [science] means to divide into categories. The Bayi Chapter in the Analects of Confucius states, "When shooting an arrow, one should worry only about hitting the target, not about piercing the leather, since everyone possesses a different amount of physical strength." The Zhuxi Commentary states, "The term 'ke means the same thing as class,'" whence the terms "kemu," "kejia," "kepin," and "kedi" [all of which refer to methods of ranking people according to their performance in the civil service examinations in Imperial China].

2. The editor of the *Collected Works of Liu Shaoqi* wrote in a footnote to Liu Shaoqi's "Political Report to the 8th Session of the National People's Congress of the Communist Party of China" that this name referred to the "Outline (Draft) for the 1956-1967 Long-Term Program for Science and Technology." This statement was erroneous. This program included a natural sciences long-term development program and a philosophical social sciences long-term development program. They were formulated simultaneously and completed at the same time, were later promulgated at the same time, and were organized and implemented by the State Council's Science Program Commission. At that time, I was one of the deputy secretary generals of the Program Commission.

Proper Registration of Public Security Cases Stressed

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[Text] The problem of recent years of the lack of reliability of public security organ case statistics at all levels has been corrected; however, an examination of how well public security regulations regarding statistics have been enforced has found that in various places, to one degree or another, no files were set up, no files were set up unless a case was broken, no files were set up even when a case was broken, and cases were not reported.

Numerous reasons account for the failure to place cases on file for investigation and prosecution, some of them having to do with understanding requirements, statistical methods, or methodology, but mostly having to do with understanding requirements.

Mechanically placing the quality of public security work on a par with the quality of social order is to suppose that a common indicator of the quality of both public security work and social order is the rate at which files are opened. Supposedly, the lower the file opening rate, the more effective the work, demonstrating that social order is better. Thus, there is much ado about the rate at which files are opened; a low file opening rate is sought. Files

are not set up whenever doing so can be avoided, and as few files as possible are set up. This is carried to the point where files are not set up when they should be set up. As a result, overall statistics show a disproportion between the number of ordinary cases and the number of important cases, and between the number of criminal cases and the number of public order cases, as well as inconsistency between the percentage of criminal cases solved as shown on the books and the actual percentage of cases solved. This is the first reason.

Some jurisdictions simplistically issue norms for breaking cases as part of work assignments and management by objective, awards issued, or performance evaluated on the basis of ability to achieve the norms. When subjective efforts are unable to control changes in objective circumstances and the normal case file opening routine is broken, in order not to exceed the norms, some individuals or units resort to deception in setting up files for legal proceedings. This is the second reason.

By prevailing standards for setting up cases in China, more cases than previously may be prosecuted as criminal cases. The rise in thefts accompanying the great increase in the wealth of society and residents, and the rise in prices in recent years are particularly responsible for the setting up of criminal case files. In such cases that occur easily, in which the scene of the crime is simple, and for which clues are fragmentary, public security organs are unable to devote attention because of their load of important cases and their lack of policemen. All they can do is accept case reports but not set up case files for investigation. In addition, since procuratorate courts and law courts generally accept only theft cases starting at between 200 or 300 yuan or more, this also adversely affects public security organs' setting up of case files for thefts. This is the third reason.

Some victims and case development units purposely conceal crimes instead of reporting them. For example, some entrepreneurial units do not report cases out of fear of being investigated and assigned responsibility after a case file is opened. In some cases, the victims also conceal a crime instead of reporting it because they are afraid. This results in many unreported cases, which is also a reason.

The fifth reason is lack of strict control over and supervision of statistical work, which results in unreliable case statistics. For example, some cases of injury, bicycle theft, traffic accidents, and some public order cases, which properly meet standards for criminal cases, and for which legal proceedings should be instituted never have case files established. Instead, they become "pocket cases." In some cases that should be accepted for hearing in accordance with procedures, economic fines are meted out instead of setting up formal case files for the institution of legal proceedings, because the perpetrator desires to be punished rather than undergo criminal investigation or reform through labor, and because of the

regulation that permits public security organs to withhold a portion of money paid in fines. It is the insufficient restraint provided by supervision from top to bottom and from left to right that creates the unreliability of case statistics.

Failure to seek truth in facts in placing cases on file has an adverse effect and inflicts great harm on the decisionmaking and professional work of leaders. First of all, it makes it impossible to provide objective data for leaders in making decisions. If accurate data cannot be provided, making accurate decisions becomes very difficult. Objectively, this has become a very serious issue, but because it is not reflected in statistics, it is ignored and interferes with work performance. Second, it makes it impossible to reflect accurately the work load of public security organs. Just because no case files have been set up does not mean that public security organs have simply thrown up their hands and done nothing. They have done a lot of work examining the scene of the crime, trying to get to the bottom of the case, and doing detective work. However, because some cases are never put on the books, statistical work does not reflect the actual amount of work performed. In addition, because no case files are set up for some cases, the chances that an apprehension will be made, or that it will be done in a timely way are not great. This not only means that the interests of the country and the people are not being protected, but it may also damage the public's sense of security, and seriously impair relations between the police and the citizenry.

The setting up of case files for legal proceedings is a legal procedure, and it is a job responsibility of public security organs. Strict setting up of case files according to standards for establishing case files is a responsibility to the people. There can be no selective setting up of files simply because there are too many to be set up, or because many have been set up for cases that have not been broken, or because it will have a bad effect on the case solution rate. To be sure, as society and the economy develop, it is not worth setting up some files that might have been set up for investigation previously (such as cases involving the theft of 100 yuan, which was sufficient to have a serious affect on a family's existence), that no longer have such an extreme bearing on the interests of the victim. Such cases may be handled as the circumstances warrant without setting up files; however, the following principles must be adhered to. For cases for which criminal penalties or public order penalties are to be meted out, and those to be dealt with through education through labor, case files should be set up. Once case files have been set up, diligent work must be done in accordance with case handling procedures.

Setting up of case files is not a simple discretionary registration procedure. Its purpose is to ensure the solemnity of the law, to crack down on criminals effectively, to protect the legal rights and interests of the state and the public, and to crack down on criminal elements who flout the law. As for the setting up of many files for cases that are not broken or for which the accused are not punished, that is an entirely different matter. Setting up such files makes it possible to provide statistics on a file opening rate in keeping with objective reality, and that reflects the real state of public order, and the tasks that public security organs face. It can also provide reliable data for leaders decision making, and it can provide accurate factual data for state planning, fiscal, labor, and other departments in society. Not to set up case files can only deceive oneself as well as others, and leave a legacy of trouble for the parties concerned. Many years of practice, as well as the nature of current criminal offenses, and the status of police forces show that the proportion of files opened can be used to extrapolate the ratio between ordinary criminal cases and serious or special criminal cases, the ratio between criminal cases and public order cases, and the actual criminal case solution rate, and so forth.

It is necessary to make a complete assessment of work performance, and to judge the state of social order. One cannot simplistically use the number of cases opened as the sole standard for evaluating work performance and for judging the state of social order.

Public Security Ministry Releases Accident Statistics

*OW1003011390 Beijing XINHUA in English
1628 GMT 9 Mar 90*

[Text] Beijing, March 9 (XINHUA)—Traffic accidents across China claimed 2,822 lives in February, the first monthly death toll below 3,000 in the past two years, according to an announcement by the Ministry of Public Security here today.

The number of people injured in traffic accidents was 10,132, a decrease of 2.6 percent.

There were 15,695 traffic accidents in February, 1.7 percent less than in February the year before, a ministry official said.

Economic losses due to traffic accidents totalled 23.55 million yuan, a 16 percent increase over the same period last year.

CENTRAL-SOUTH REGION

Hainan Tropical Artificial Communities Benefit Ecosystems

90ON0310A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 4, 22 Jan 90 p 21

[Article by Jiang Enyu (1203 1869 1342): "Hainan Island Develops Artificial Communities of Natural Forests"]

[Text] "The experience of Hainan's agricultural and reclamation department in popularizing the advanced cultivation technique of developing artificial communities of rubber and tea plants on large stretches of land is a special contribution to humanity." The research and popularization of the technique of developing tropical artificial communities on Hainan Island were highly praised by foreign experts at the international seminar on the "Rational Development and Utilization of Tropical Artificial Communities and Subtropical Land" held at the end of last year.

In today's world, as man's ability to develop and utilize natural resources increases, the destruction of the world's natural resources and ecological environment becomes more and more serious. The world's forested areas are diminishing at an annual rate of close to one percent, with tropical rain forests bearing the brunt. If this goes on, the area of tropical forests will have been reduced by 10-15 percent by the year 2000. This has aroused great concern among environmental protection workers throughout the world. The research and popularization of the technique of developing tropical artificial communities on Hainan Island represent an important step toward improving the daily deteriorating ecological environment mentioned above.

A tropical artificial community is an artificial ecological system. It is an artificial natural forest built by interplanting by artificial means two or more species of trees in tropical areas. It has the following merits: It makes full use of land, since large numbers of plants are grown per unit area. The planting of different species means that soil at different depths can be fully utilized. It makes full use of light, heat, water vapor, and other natural resources. The different levels of vegetation formed by different plants can greatly increase the utilization rates of light, heat, water, and air in terms of time and space. It can also produce better ecological results because the cushioning effect and absorption power of different levels of vegetation in the community can reduce the direct impact of precipitation and minimize soil erosion, hence conserving soil and water. In addition, it also produces better economic results.

Hainan's agricultural and reclamation system began its studies on tropical artificial communities in the 1970's. At that time, in order to resolve the contradiction between the mono-cultivation of rubber plants and the development of diversified undertakings on limited land space, and to solve the mounting problem of finding jobs

for the people, it was decided that an experimental artificial community would be built on the Hainan state reclamation system's farm in Dingan County. On this experimental plot they interplanted tea, which prefers shade and does not grow very tall, with Brazilian rubber, the local staple economic plant. Good overall results were produced. In Hainan, it normally takes seven or eight years to obtain latex from newly planted rubber plants, during which time there is only input and no output. With tea, it is possible to start picking leaves in three years. This means a higher utilization rate for the land. The large crown of rubber plants provides shade for tea and is therefore beneficial to the growth of tea. At the same time, because tea and rubber have different root systems and utilize different levels of soil, the problem of the two competing for manure and water does not arise.

Years of on-the-spot investigation shows that this type of artificial ecological community can raise land utilization by 50 percent and increase per hectare yield from 9,000 yuan to 15,000 yuan. Due to the increase in the amount of withered and fallen objects and the number of micro-organisms and animals in the soil, and the reduction of soil erosion, the organic content of the soil is 4.5 percent higher than in areas under a single crop. The nitrogen, phosphorous, and potassium content of the soil is also noticeably higher. These factors combined to stimulate plant growth, making it possible to move up the output-yielding time by one to two years and extend the latex collection period. The growth of small green-leaf cicadas, the major pest for tea, is noticeably brought under control by the 100 and more types of spiders found in rubber-tea artificial communities. Thus, it is possible to achieve a fairly high yield even without applying pesticides. According to tests conducted in Yunnan by the Kunming Institute of Ecology of the Chinese Academy of Sciences, the output of dried latex of rubber-tea artificial communities is 13.69 percent higher than that of rubber plantations, and the output of dried tea is 24.4 percent higher than that of tea plantations.

Hainan Island sees the biggest concentration of tropical rain forests in China. As human activities increase, the area of natural tropical forests is fast diminishing. In 1952 there were 18 million mu of tropical forests, but in 1985, only 4.52 million mu were left, three-quarters of which were secondary forests and residual secondary forests. Under such circumstances, a tropical artificial community provides a plausible answer to the need to protect natural tropical forest resources and resolve the contradiction between a growing population and land available. In addition to the good economic results mentioned above, the protection afforded by multilayer vegetation can also reduce soil erosion caused by precipitation. Soil erosion between April and January the following year was reduced by 139 kilograms per mu, 40 kilograms less than when rubber alone was planted. In the dry season between June and August, water evaporation on each hectare of artificial community was 400 tons less than in areas under a single crop. This is a positive plus for soil conservation and the regulation of

local climate. Moreover, the fact that artificial community is a labor-intensive industry means more job opportunities. On the Hainan state reclamation system farm, an additional 4,000 jobs were created over the past 10 years than was necessary for planting rubber alone.

In addition to artificial communities of rubber and tea, Hainan is now conducting a dozen or so research projects on artificial communities, such as those involving rubber and coffee, rubber and pepper, rubber and rattan, rubber and sugar cane. Hainan's agricultural and reclamation department has already popularized artificial communities of various types on 350,000 mu of land. Yunnan, Guangxi, Guangdong, and other places are also conducting such research.

Clean Government Seen Hampered by Cadre Apathy, Frustration

900N0342A Beijing ZHONGGUO XINGZHENG
GUANLI [CHINA ADMINISTRATION] in Chinese
No 12, 16 Dec 89 pp 6-8

[Article by Liu Benfu (0491 2609 4395) of the Study Group of the Chinese Communist Political Committee of Zhongxiang Magistracy, Hubei Province: "Psychological Attitude and Adjustment of Cadres Toward a Clean and Honest Government"]

[Text] The cadre of the party political organization is the main body in the establishment of clean and honest government. Having a firm grip on their thinking is extremely important for in-depth construction of such government. For this reason, the writer conducted a study and analysis of the psychological attitude of cadres of Zhongxiang Magistracy in Hubei Province and those of part of its subdivisions concerning the construction of clean government.

I

The study showed that the party political cadres gave widespread support to creating a clean and honest government; the vast majority exhibited great enthusiasm in opposing corruption and incompetence. Yet, a portion displayed a passive or negative attitude. The following conclusions were made:

Psychological Fear of Problems. There were quite a few with this attitude, about 49.5 percent of the total surveyed. These comrades, on one hand, feared that clean government was in contradiction with economic prosperity, were afraid that clean government would stifle local economic intercourse and affect economic development and that it would be difficult to reconcile the two. On the other hand, there was the belief that the current economic tasks are demanding, with major responsibilities for reform and management, and that the difficulties in implementing clean and honest government would detract from the time needed to solve problems of shortages of fuel, electricity, capital, raw materials, and so forth. Added to this is the need to expend energy and effort to solve problems in reselling

or repurchasing goods for profit, bribery, wastage, and so on. It was felt that the difficulties of alternately "shooting with each hand" would be enormous. There was still a third consideration—that there might be minor changes with no great alteration of the "big picture," that the starting point of experimentation was too low and not enough troops were being committed, making it difficult to establish clean government. Some comrades said, "Why just do it here? Beyond here, nothing moves without wheel-greasing." Because of these "difficulties," some comrades feel rather apathetic about the whole thing.

The "Don't Be First" Attitude. Some comrades feel that those "who grab onto cleanliness first will lose out; each keeps an eye on the others, especially when it was perceived that some cadres used their official status for private gain, received bribes and were corrupt, engaged in wastefulness, and did not suffer timely punishment. So, some felt that "if you didn't do it, you would be wasting the chance," and continued to engage in improper conduct. When it came to discuss or deal with the cleanliness problem, most of the talk was about the upper level, little of the lower; more talk was about other agencies and other areas than of one's own, or more of society's problems in general and less of one's specific problems.

The Aggrieved Attitude. A minority of cadres had the erroneous opinion that "the greater the power, the more chance to be 'dirty.'" Clean government is a higher-level problem. Grabbing for clean government locally was a case of "the higher-ups get sick, the lower elements take the medicine; the higher-ranking official gets sick, the lower ranking gets the cure." Some feel that the cadres have the lowest income anyway, are the poorest. Fighting corruption at the cadre level is like "looking for lice on the beggar." One cadre of an agency directly under the local magistracy said, "We are all cadres of the nation, we are all Communist Party members, but some assigned to entrepreneurial work can legally fatten their purses with large amounts of cash, but those of us working in the agency are considered unclean when we accompany guests for some tea or wine. Is this fair?" There is a great sense of having been wronged.

The Pessimistic Attitude. An absolute majority exhibited great hostility to the various apparent signs of corruption. Among them, many cadres lacked confidence in the success of building a clean government. Some perhaps overestimate the amount of dirt in the party political structure, feeling that the extent of corruption is beyond return. Some are skeptical of the effectiveness of the recent measures for getting clean and honest government, feeling that the central authorities' correction criteria and party reforms had not solved anything. So this effort to get clean will "also be hard to get done."

The Complaining Attitude. One is the complaint that reform and opening up have only created opportunity for using public office for private gain. Two is the complaint that theory and policy are unclear for the

basic level cadre to understand and implement. Three is the complaint that high-level punishment of corrupt elements have not been firm and decisive, unlike that meted out "in earnest" at the birth of the People's Republic to Liu Qingshan [0491 7230 1472] and Zhang Zishan [1728 1311 0810].

II

All the psychological attitudes described above have complex sociological roots. Looking at it from a psychological standpoint, there are the following deviations in their thought process:

Deviation One: Fixed Thinking Process. Party cadres have different degrees of experience in political life. This experience can facilitate analysis, forming conclusions, and solving problems. But it can also easily create a kind of tendentious attitude of psychological readiness. In today's environment of economic development, there are those who persist in holding to the accustomed views that smooth sailing through the economic passageways relies upon "dining, hosting, and giving," that "correcting incorrect practices depends upon mass movement," "If the big picture isn't changed, it is hard to alter the small spots," "a pair of hands can catch only one fish at a time," etc. Such opinions are already out of touch with the times. If the comrades concerned persist in this line of thinking, it can only affect their assessment of new situations.

Deviation Two: Confusing the Trees for the Forest. Many of the corrupt phenomena within economic and social activities are temporary and local, yet they are considered to be "general" or "partywide." Confusing the trees for the forest, they judge the whole picture from one incident or one point, thus losing the true picture and muddying the identity of the problem.

Deviation Three: Marching to One's Own Drummer. If self-interest and subjective feelings are the criteria for evaluating a situation, then for the sake of preserving such interests and for peace of mind, one would react in a certain way. In setting up clean government, affecting such self-interest and feelings would be unavoidable. When, therefore, one's interests were affected (or one's unit, one's agency, or one's district, and so forth), it would be easy to arouse feelings of debasement, being wronged, complaints, irritation, and so on. Irrespective of whether one is conscious of these feelings, it would probably cost in impartiality and objectivity, and create biases that would block the progress of clean government.

Deviation Four: The Effects of Information. The thinking process is often affected by received information. Some comrades accept without checking stories of official corruption or bribery, concluding that corruption permeates the structure throughout, and thus sigh that things are beyond retrieval. Some units in the midst of earnestly trying to correct improper conduct, upon hearing such stories, would proclaim a "wait-and-see" policy. These

apathetic feelings very easily spread, forming an apathetic attitude toward socialist politics in general, and harbor elements for decay.

III

As to the minority of cadres who have displayed signs of being out of synchronization with the times, it will be necessary to deal with the matter dialectically on a number of roads. One of the most important is to promote the ability of the cadres to look at matters dialectically, overcome the tendency to deal with problems piecemeal so as to let the unbalanced psychological notions regain equilibrium.

1. Strengthen education for clean and honest government, increase the cadre's psychological capacity to endure. To pass regulations for creating clean government, rules, and systems, one must incessantly promote recognition of its importance, necessity, and urgency. At present, the most important outlooks that need changing are: One, that clean government and economic development are mutually exclusive; two, that local changes cannot be made if the general picture stays the same; and three, the corrupt situation cannot be reversed. There must be more confidence in clean and honest government.

2. Lead the cadre on to accurate observation and recognition of society, and maintain psychological equilibrium. To help the cadre shake off past icons, confusing trees with forests and the influence of self-interest, they must first be encouraged to research and study in the spirit of scientific curiosity, resolutely seek the facts, and accurately determine the proper party conduct and political situation. They must not go with the flow, automatically mouthing the words of others. Then, they must be led on to look at the question of establishing clean and honest government by using a philosophy that will look at the whole so as to examine the entire picture and complete process, overcoming a tendency to look at it piecemeal. Next, they must be led to break the shackles of past thinking. In particular, they must be able to use new and developing situations as a device to study the internal and external facets of the party and agency, going deep into the matter of clean government.

3. Study the leanings of the cadre's ideological personality. The cadres are placed at different levels; their attitude would differ toward real life. This also goes for their attitude toward improprieties. Different levels of cadres would have different psychological reactions. So, to implement clean government successfully, one must consider the different duties, ages, and cultural levels, analyze their particular psychological characteristics, and apply different measures.

4. Push for clean and honest government on all fronts, improve society's psychological climate. In order to create an optimum relationship between the forest and trees in building a clean and honest government, one must urge all districts, agencies, and units to make balanced progress. Favorable public opinion must be

fostered, people must be aware of the external "big picture." At the same time, within lower levels, efforts to get clean must proceed on many routes. One must exercise all the functions of information and active influence to create a desirable climate in the "little picture," nurturing an active feeling toward establishing clean and honest government.

NORTHEAST REGION

Lindian County Strengthens Party Building

HK2702154590 Beijing LIAOWANG [OUTLOOK]
in Chinese No 1, 1 Jan 90 p 16

[Article by Zhang Huanming (1728 3562 6900), Sun Jie (1327 2638), and Wang Ruiguang (3769 3843 0342): "Lindian County CPC Committee Grasps Party-Building and Promotes Economic Prosperity"]

[Text] By managing party building in close conjunction with the central task of economic construction, the Lindian County CPC Committee in Heilongjiang has enabled this poverty-stricken county, which is hit by natural calamities in nine years out of 10, to embark on the road of economic prosperity. In recent years, the county has made steady economic progress despite unusually serious flood and drought. Instead of registering an annual loss of 3.29 million yuan, county-run industries have been making profits. In the first 10 months of 1989, aftertax profits amounted to 6.423 million yuan. The number of town and township enterprises increased from 2,069 to 3,041, with annual output value increasing from 21.06 million yuan to 56 million yuan. The number of dairy cattle increased from 8,000 to 15,000. The area devoted to fish breeding increased from 8,000 mu to 22,000 mu. Per capita income of the rural population was three times higher than in 1982.

In early 1986, 38-year-old Jiang He [1203 0735] from the Organization Department of Qiqihar Municipal CPC Committee was appointed Secretary of Lindian County CPC Committee. After conducting in-depth investigations with the help of his colleagues, Jiang He identified three areas where the party's work did not suit the needs. First, the leading group was ill-suited to needs. Second, the ranks of party members were ill-suited to needs, with more than 70 percent of party members either having only primary education or being illiterate. Third, the party's grassroots organizations were ill-suited to needs, since the framework of yesteryears was still used.

How can they change from being ill-suited to needs to meeting the needs? Practice gave Jiang He and members of the county party committee profound inspirations. Beginning with managing party building, the party branch of Nangang Village in Sanhe Township gave full scope to the role of the party organization in spiritual and material development. Within a short span of a few years, the village managed to increase its per capita income from just over 100 yuan to more than 1,000 yuan.

"The party must look after its affairs properly." This is an important concept gained from an analysis of the experience of Nangang Village. In order to spare time and resources for grasping party building, Lindian County CPC Committee formulated a set of "rules and regulations governing the work of the county party committee," which included 30 articles grouped under six chapters, stating the areas of responsibility, rules for procedure, ways and means of making policies, organizational coordination and management by objectives. This made it possible to further clarify the different points of emphasis of economic work to be grasped by the county party committee and the county government, and ensured that the former concentrate its attention to devising the strategies and macroeconomic policies of economic development. In early 1987, the county party committee had done two important jobs, namely, readjusting the rural industrial structure and formulating the strategy for industrial development, thus laying down the grand blueprint for industrial and agricultural production for the whole county.

For many years, the work of party building took the form of slogans chanted or posted on walls but never put into practice. It came to be known as a soft target.

In early 1987, the Lindian County CPC Committee began promoting the standardized management of party building in an effort to turn the soft target into a hard target. Early each year, a system of responsibility for objectives in the three areas of party building, spiritual development, and material development would be laid down for the county party committee, grassroots party branches, and party members, and a system of assigning special personnel to record and keep a unified file on party-building work was instituted. The county party committee and grassroots party organizations all have assessment groups. The county party committee will assess the grassroots party organizations once every six months, while the latter will assess the party branches, party groups, and party members once every three months. Assessment is to be made item by item on a scale of 100 points, with a general assessment at the end of each year. This will increase the sense of responsibility of party organizations and those handling party affairs in grasping the work of party building. In the first half of 1989, the number of advanced party branches in the county increased from 293 in 1988 to 312.

The key to managing party building lies in grasping the building of town and township party committees. Based on this understanding, Lindian County CPC Committee reshuffled the town and township party committees in the whole county and appointed comrades who are politically and ideologically up to the mark, have management skills, and are young and competent to work in the party committees and governments of towns and townships. In this way, the party and government leadership at the town and township levels was optimized.

On this basis, the county party committee also reshuffled those grassroots party branches that were weak and lax.

In 1988 alone, 33 members from 16 party branches were given the sack, 13 secretaries and deputy secretaries were dismissed on the spot, and 17 party branch members were kicked out of the leading groups. All newly appointed party branch members were outstanding party members from among the peasants. Ai Bingzhou [5337 4426 1558], newly appointed party branch secretary of Huojian Village, Huayuan Township, came from a specialized cattle-raising household. As soon as he took up office, he mobilized the whole village to develop cattle raising and, within six months, the number of dairy cattle increased by 100.

The development of the commodity economy makes the activities of party members more and more diversified, and this creates problems in the management of party members. In this connection, Lindian County CPC Committee has also come up with a new set of measures. First, management by place of affiliation. This means that party members who have taken up temporary residence outside or who spend long periods doing business outside should forge ties to the party branches where they reside and take part in organizational activities there. Second, dual management. This means that party members who go out to do business on a seasonal basis will be issued temporary organizational credentials so they can take part in the party's organizational activities in their place of work, while having to report their work and ideological progress to their original party organization. Third, management by documentation. Party members who move around from place to place doing business are issued documents by town or township party committees. These documents will record in detail the time and content of the organizational activities they partook in various places, to be signed by the responsible persons of local party organizations and returned to the party branch to which they belong upon their return. Fourth, special management. Party members who are old, feeble, and sick and who, therefore, cannot take part in normal organizational activities will be divided into groups and put into the care of individual party branch members so that can regularly benefit from the concern and education given by the party organization.

Jilin Outlines Cultural Tasks for 1990

SK2402044790 Changchun Jilin Provincial Service
in Mandarin 2200 GMT 22 Feb 90

[Text] The provincial meeting of directors of the cultural departments of various prefectures, cities, and autonomous prefectures concluded on 22 February.

During the meeting, Li Dezhu, vice governor of the province, delivered a speech in which he stressed that an important current task for cultural and artistic circles is to uphold the socialist orientation and bring about a prosperous socialist culture and art.

In his speech, Li Dezhu pointed out that the province's cultural and artistic circles scored certain achievements by upholding the four cardinal principles to bring about a prosperous culture and art, create something new in

culture and art, eliminate obscenities, and consolidate the cultural markets in 1989. In conducting cultural work this year, we should clearly understand the situation; uphold the socialist orientation in ideology, culture, and art; strive to create as fast as possible a number of films, literary works, plays, and other types of literature that are healthy, progressive, and of higher ideological and artistic significance; and train a large number of cultural personnel.

In his speech, Li Dezhu urged cultural workers to go deep into the countryside and the grassroots level to serve the broad masses of peasants and personnel who are standing fast at their posts. He said that efforts should be made to enhance the party's leadership and unity so as to push forward the development of cultural undertakings in the province.

During the meeting, Hu Houjun, head of the provincial party committee's propaganda department, delivered a speech on having cultural circles uphold the socialist orientation under the circumstance of great change in the international situation.

During the meeting, participating leaders also heard a report on relaying the spirit of the national symposium on exchanging notes about experience gained in cultural work and exchanging notes on the cultural work situation in various localities across the province. Relevant provincial level departments also solicited ideas from participating leaders on bringing about prosperous literary and art work.

Heilongjiang Calls To Improve Grassroots Party Schools

90ON0309A Harbin FENDOU [STRUGGLE]
in Chinese No 12, 1 Dec 89 p 26

[Article by Zhang Zhaoliu (4545 3564 9497)]

[Text] Not long ago, the propaganda department of the Heilongjiang Provincial Central Committee called a meeting in the city of Anda to discuss the work of provincial grassroots party schools. Attendees explored in depth, such problems as the position, function, education direction etc., of these schools, and expressed some constructive opinions.

1. Grassroots party schools constitute a new phenomenon that developed gradually after the 3d Plenary Session of the 11th CPC Central Committee.

"Grassroots party schools" is a broad term covering mostly village and town party schools, enterprise party schools, neighborhood party schools, and extracurricular party schools. In July 1981, the first village/town party school in Heilongjiang Province was established in the town of Daotaiqiaozhen in Yilan County. After several years of promotion and development, more than 2,200 grassroots party schools have been established in the province to form a multifaceted and efficient preliminary network, which is having an important effect in

improving the quality of party members at the grassroots level and developing a political core in the grassroots party organization.

The rise of the grassroots party school is geared to meet the needs of the new situation for reform and openness. Since the advent of this new situation, a problem of "difficulty in getting people together at suitable times to initiate activities" has appeared in the education of grassroots party members. To maintain the education of grassroots party members in a regular and systematic way, we must depend on a definite approach so each party member can have an opportunity to be educated in political ideology on a regular or occasional basis. While we have various formal party schools at the county level and above, their objective is mainly training leadership cadres at various levels, their accommodations are limited, and it is difficult for them to assume the task of training the massive grassroots base. Thus, grassroots party schools are born of a need to become an important vehicle for improving the education of grassroots party members, the cradle for nurturing these objects of party building in the new situation. They will also stimulate overall building of grassroots party organizations, spur grassroots political growth, thus ensuring that the party line and policies will be thoroughly realized at the grassroots level, and effectively mobilizing the development of various grassroots socialist activities.

2. The basic task of grassroots party schools to carry out education in the "three basics," which is education in the basic theories of Marxism, Leninism, and Mao Zedong Thought, education in the basic party line, and education in basic knowledge of the party.

The attendees recognized that grassroots party schools constitute the important vehicle for building up ideology in the grassroots party. All of their activities must relate closely to the party line set after the 3d Plenary Session of the 11th CPC Central Committee, around the theme that party building is at the heart of leadership for modern socialist enterprises. Grassroots party schools must regularly educate party members in the "three basics" in depth, as required by "one center, and two basic points," to unify their thinking and actions, for large numbers of them to be idealistic, moral, cultured, and disciplined models, as conscientious vanguards implementing the party's task.

At present, grassroots party schools must pay particular attention to firm adherence to the four basic principles, which stress hard struggle and opposition to capitalist liberal education, honesty and anticorruption, wholehearted dedication to education serving the people, and attention to resolving problems in political orientation, honesty, and uprightness.

3. Leadership in the grassroots party schools must be improved.

At present, development of grassroots party schools in Heilongjiang Province is still quite uneven. Because the leadership in some places do not fully understand the

importance of grassroots party schools, schools have not even been established in some localities, or some already established schools have yet to demonstrate their full potential. Such situations should be corrected as soon as possible, and party committee members must fully recognize the important role and function of the grassroots party schools and pay particular attention to establishing party schools as their responsibility, and placing it on their agenda for discussion. Localities and units without grassroots party schools should take advantage of whatever local facilities are available, to improvise and create conditions for establishing grassroots party schools. Grassroots party schools already established must be reinforced, completed, and improved.

For the immediate present, it is hoped that party committee members at all levels will do several things to improve the establishment of party schools.

First is improving the calibre of teachers. The selection of full-time and part-time instructors must be based on established criteria. We must be concerned with their politics, ideology, and working and living habits to fully activate their potential.

Second is helping grassroots party schools resolve their economic problems. It is hoped, in the spirit of Document No. 5 (1983) issued by the central government, and Document No. 34 (1989) issued by Heilongjiang Province, that various methods and channels will be used to raise the necessary operating funds for these schools to ensure the normal conduct of educational activities.

Third is improving the development of educational materials. Educational materials must be selected with attention to their scientific content, orderly presentation, appropriateness, and general appeal. The scientific content of educational materials pertains to their meeting the basic principles of Marxism, Leninism, and Mao Zedong Thought. Their orderly presentation refers to the completeness of the knowledge, presented without any fragmentation. Appropriateness pertains to the way these educational materials can pinpoint and closely coordinate the thinking and working reality of grassroots party members. General appeal is the ease that such educational materials would be understood immediately by grassroots party members.

Attendees at the conference all agreed that the present climate for establishing grassroots party schools is very favorable. Following the 4th Plenary Session of the 13th CPC Central Committee, the Central Committee made some important policy decisions on building up or strengthening ideology, organization, and party style. To see that the Central Committee's policy could be thoroughly implemented, several meetings were called and some practical measures were instituted. It can be said that the whole party pays great attention to preparing the right climate for implementing party buildup. Agencies and comrades in charge of party member education and the operation of grassroots party schools should be clearly aware of the circumstances and be prepared to

seize the timely opportunity to work hard and actively create a new situation for their work.

NORTHWEST REGION

Campaign Against '6 Vices' Underway in Gansu

90ON0438A Lanzhou GANSU RIBAO in Chinese
15 Feb 90 p 1

[Article by reporters Hua Guanglu (5478 0342 4389) and Guang Lu (1639 6424): "Province's Struggle To Eradicate the 'Six Vices' Develops in Depth"]

[Text] "Work to 'eradicate the six vices' is to be regarded as an important matter in stabilizing the overall situation and stabilizing society that is to be pursued without letup." This was a point that Comrade Li Ziqi emphasized at the 8 February administrative meeting of the provincial CPC Committee Secretariat after hearing a report from the provincial Public Security Department about progress during the first stage of eradicating the "six vices" throughout the province.

In his speech, Comrade Li Ziqi said that remarkable results have been achieved during the first stage of eradicating the "six vices" throughout the province. Nevertheless, we must fully realize the arduousness and the complexity of the struggle to eradicate the "six vices." We cannot expect to fight a few campaigns in a short period of time and then consider the problem solved. Party and government units at all levels must regard it as an important matter, and provide support to public security units in doing a good job in this regard.

Acting in the spirit of the provincial secretariat administrative meeting, the provincial Public Security Department recently convened a meeting attended by district, prefecture, and municipal public security office and bureau directors for the specific purpose of planning the next step in the task of eradicating the "six vices." Wang Jintang [3769 6855 1016], provincial CPC Committee Standing Committee member and Public Security Department director, stressed that the focus in attacking the sale of narcotics and in investigating, interdicting, and controlling the spread of narcotics should be on the grassroots. The problem has to be tackled in a comprehensive way. Public security organs at all levels will have to do extremely careful work and improve the quality of their case handling.

The province's struggle to eradicate the "six vices" is in the process of developing in depth, with numerous departments playing their distinctive professional roles.

They have begun with eating, living, traveling, and sales, achieving remarkable results in the intensification of investigation, interdiction, and control.

Reportedly, during the three months since the provincial work conference on the eradication of the "six vices," 3,757 cases involving the "six vices" have been broken and 12,594 criminals have been detained. A total of 587 criminal gangs were taken into custody, and more than 669,000 yuan of illicit money and illicit goods having a value of more than 751,000 yuan were recovered. As part of their spring transportation work, railroad, highway, and water transportation units conducted investigations, interdictions, and checks along transportation arteries, in stations, and at piers. The Dingxi transportation control office coordinated with the transportation company and public security authorities to clamp down on criminal gambling activities on trains, arresting two large criminal gangs that regularly gambled on long-distance passenger trains. The Qingyang Transportation Company and public security authorities patrolled jointly, virtually stamping out gambling on long-distance passenger trains. For a month around the New Year's, the Lanzhou Railroad Public Security Bureau broke 15 narcotics cases at railroad station ticket inspection points and on traveling trains. During the lunar New Year season, industrial and commercial units transferred personnel to work with public security organs in carrying out a thorough inspection of country fair markets and individually owned stalls, seizing narcotics, gambling devices, articles relating to superstitious practices, and pornographic materials. They also broke up a drug den. The posts and telecommunications system improved various rules and regulations to guard strictly against concealing narcotics and pornographic materials in mail. They strictly forbid their transportation in postal vehicles. In addition, the postal system is also examining books and magazines that are sold. It has already found 5,600 copies of pornographic or questionable books and magazines. Businesses and tourism units have intensified control at guesthouses, hotels, and tourist sites, where they have detained a number of criminal elements engaged in prostitution, gambling, and drug taking. The just recently established Lanzhou customs unit examined more than 1,140 tons of freight, imposing examination and control measures on it. At a 13 February joint meeting on the eradication of the "six vices" headed by the provincial Public Security Department and attended by railroad, transportation, and industrial and commercial units, as well as customs, tourism, and supply and marketing units, all units studied actions to be taken in the next step of the work.

Politically Uneasy, Difficult 1990 Predicted

900N0249A Hong Kong LIAOWANG [OUTLOOK]

OVERSEAS EDITION in Chinese

No 50, 11 Dec 89 pp 3-4

[Article by Cheng Jinzhong (4453 6855 0022)]

[Text] The year 1989 was an important one for political change in Taiwan. The intensifying struggle for power between the various forces on the island, the steady worsening of social problems, the timidity of relations between authorities on opposite sides of the strait, and the boldness of relations with the rest of the world, were the obvious developments of this past year. If one were to characterize 1988, the year after Chiang Ching-kuo's death, as a year in which subterranean pressures began to build beneath the peaceful surface, then 1989 was the year in which these problems exploded and unrest replaced the previous calm.

Electoral Questions Lead to the Publicizing and Radicalization of Political Struggles

This year [1989], nothing is of greater concern to people in Taiwan than the three yearend elections for government office and the coming "presidential elections" in the spring. These two election periods are interconnected and have become the center of the island's political activity. The contradictory struggle between every kind of political force around this center has clearly become fierce and public.

This is the first large-scale election involving quadrennial elections of county magistrates, provincial assemblymen, and "additional legislators" since the KMT [Kuomintang] ended martial law and allowed opposition political parties to obtain legal status; the KMT is striving to make this election "a good beginning for democracy." However, the entire process of competition has been a loud circus that has wearied the people and wasted resources in a fight for selfish gains. Many problems and corrupt practices were exposed: the first is that privilege reared its ugly head and democratic spirit "vanished without a trace." The second was that the "god of gold" took over and bribery to win elections became the vogue. The third problem was the rampant and illegal violence which arose. Of even more concern is that some Taiwan independence supporters made the political cry for a "new constitution, new nation" during the election, stirring up a lot of noise about Taiwan independence. If one were to sum up the public's opinion of the entire election period in one word, that word would be "chaos." With such a chaotic beginning, it's not hard to imagine what the future of "democratic politics" will be like.

Next year's March [1990] "presidential" and "vice-presidential" election is an even more important problem than the yearend elections [of 1989]. This election is the continuation of the KMT's redistribution of high-level political power following Chiang Ching-kuo's death. Although there is still some time before the

election, a fierce struggle for power between internal factions of the KMT has already begun. According to Taiwan newspaper reports, there are two main factions in this competition: The first is a group who support the current president; their goal is to get him to continue to be president. The second group is composed of mainlanders and members of the Chiang family who are pushing for a mainlander to be president or vice president. These two forces are accumulating power and struggling both in secret and in public; they both display a determination to achieve their goals at any cost. In the near term following the election, there will inevitably be an even fiercer competition between them. If the current authorities are unable to control things, there is even the possibility that this will bring civil disorder. Those who are concerned with Taiwan politics will be paying close attention to the situation as it develops.

The Daily Deterioration of Social Order

In today's Taiwanese society, it is indisputable that bandits are about, violence is occurring, and people are feeling a sense of desperation from day to day. These developments have had an extremely deleterious effect on people's morale, the economy and the government throughout the island.

During the 580 days from 1988 to July of this year [1989], there were a total of 8,005 incidents of violence. There came to be more and more major crimes every day, such as mob warfare, rape and murder of women, kidnapping for ransom and killing of hostages, and armed robberies. In this harsh reality, the common people are unable to relax even at home. Even the "director of the Executive Yuan" was forced to admit publicly, "There is a general feeling of insecurity in Taiwan society; everywhere is an atmosphere of violence."

There are several reasons for the serious deterioration of public order in Taiwan:

One reason is that the lifting of martial law gave rise to a climate of extremism. Since 1987, the Taiwan authorities have ended martial law, lifted restrictions on political parties and the press, and promoted so-called "political innovation." This has led to a sudden explosion of pent-up forces that had been forcibly held in check for many years. Add the government's "decline of public authority" and the "lack of reform of the justice system," and the explosion of social problems and ills of every sort will be unavoidable.

The second reason is the degeneration of the general social environment, which has provided a breeding ground for violent criminals. Although Taiwanese citizens earn over \$7,000 [average annual income], the gap between rich and poor grows ever larger. Now people who are well connected engage in real estate speculation and buy and sell gold; middle-income people play the stock market and practice usury; and lower-income people play all kinds of gambling games. Money has become the only standard of value, and public morality

and social role models have to a great extent lost their usefulness; this sort of social environment of "helping the evil tyrant do evil" has led to widespread crime.

The third reason is that the proliferation of firearms has fostered a climate of criminal violence. According to Taiwan newspaper reports, there are more than 20,000 guns among the underworld.

In the face of the daily deterioration of social order, people of every walk of life have become indignant and many have denounced the authorities. However, this kind of societal illness is very difficult to cure. Since the beginning of 1989, the Taiwan authorities have implemented a succession of programs such as "purification and calm," "calming the people," and "public execution." By the end of November, 48 criminals had been executed, but this has not yet had a deterrent effect; major crimes keep occurring. In the recently promulgated "Provisional Law on the Endangerment of Public Order and Punishment of Crime (draft)," the chief thrust is that "severe provisions are needed in times of anarchy." According to the media, "strict laws and severe punishments" are of great value in times of anarchy, but if the societal conditions are not corrected, the problem of public order will never be solved.

Plans To Augment Policies Aimed at Penetration of the Mainland

In relations between the two banks of the strait, the Taiwan authorities still uphold the policy of "differentiating between officials and the people." While continuing the policy of anticommunist resistance and the "three no's" policy, they are strengthening their policy of penetrating the mainland, and are planning to implement a policy of "from quantity change to quality change."

At the level of the people, because of internal and external pressures, the Taiwan authorities have no alternative; although they are continuing to become flexible, the pace is disappointingly slow and hesitant. During 1989, there were important indications of flexibility: an exception was made to allow "Minister of Finance" Shirley Wan-jung Kuo [6753 1238 1369] to lead a delegation to Beijing to attend the annual World Bank Asian Conference, an athletic team went to the mainland to compete, teachers and education workers were allowed to go to the mainland to visit relatives, and Taiwan reporters went to the mainland to investigate; communication is allowed between people on both sides of the strait; Taiwan passenger planes may store their luggage alongside that of Hong Kong and Mainland China airlines; the kinds of people allowed to visit Taiwan from the mainland has been increased to include nephews, nieces, sons-in-law, and daughters-in-law; and the allowable age of those wishing to resettle in Taiwan has been lowered from 75 to 70.

There are a couple of important points to note concerning this flexibility: The first is "dwelling on the easy parts;" those policies that have been loosened up are all

basically "official recognition" after the fact or "going through the motions," and when it comes to dealing with pressing issues like direct trade and investment, not only has there been no progress, but there has even been a tendency to backslide. The second point is that there exists a prejudice against the mainland. Among the numerous measures of flexibility, very few of the demands of people on the mainland are taken into account. So far, there have been over 900,000 trips by Taiwan compatriots to the mainland to visit relatives, go on tours, participate in competitions, attend meetings, perform, and report the news; mainland compatriots have been allowed to visit Taiwan only to see sick relatives or attend funerals, and only some 3,000 people at that. In terms of the vast difference in population and kinds of activities available, it is hardly fair.

At the level of official relations, the Taiwan authorities, in continuing to maintain their anticommunist resistance and their stonewalling policy of the "three no's," are displaying an extraordinary level of "fanatical zeal." Especially after the counterrevolutionary violence in Beijing, they misinterpreted the situation and used it as a pretext to stir up a wave of anticommunist sentiment on the island seldom seen in recent years.

In the middle of June, Taiwan authorities "approved" the so-called "measures to aid the mainland democracy movement" and adopted a series of methods to strengthen mainland government opposition, with the goal of "broadening the political counterattack." Some Taiwan Government bigwigs have announced their intention to switch "from quantitative to qualitative results" by means of "thoroughly penetrating every organization," "completely uniting all forces that can be united," "utilizing completely effective techniques," and "aiding the mainland democracy movement." In the beginning of September [1989], the Taiwan "Executive Yuan Mainland Affairs Office", on the basis of the aforementioned principles, developed the so-called "Essentials for Participants in the Current Phase of the Mainland Democracy Movement Applying To Reside and Work in Taiwan," doing their utmost to attract mainland schemers and organizers of counterrevolutionary subversive activities to visit or reside in Taiwan.

These naive methods of the Taiwan authorities have run into some strong criticism and resistance by the media and the general public. A poll clearly indicates that "more than half the people do not support" the policy of encouraging "mainland democracy activists" to come to Taiwan; nearly 30 percent feel that the Taiwan authorities' "continued support of mainland democracy movement activists will make relations more strained." At the same time, after learning about the real situation in Mainland China, many Taiwan compatriots very quickly restored their dealings with the mainland. Beginning at the end of July [1989], the number of trips by Taiwan compatriots to the mainland to visit relatives or conduct business began to rise again; by the end of August, the number of travelers had reached 38,000, almost the normal level. Taiwan's enthusiasm for going to the

mainland for trade and investment really has not been much affected. By the end of September, total trade on both sides had reached \$230 million; it is predicted that trade for the entire year would exceed the previous year's total by several hundred million U.S. dollars. Investments are increasing even more quickly; in Fujian Province alone, agreements [for investment] have already reached \$400 million, three times higher than the total for the equivalent period last year. This situation makes it clear that such a strong trend can not be reversed by the will of a few people; historical tendencies and people's desires will certainly override the renewed attempts of the Taiwan authorities to regulate the pace of events.

An Audacious Foreign Policy

In foreign relations, the Taiwan authorities this year have completely discarded the traditional concept that "a man and a bandit cannot coexist" and replaced it with the new strategies of "dual recognition" and "one country, two governments." [i kuo liang fu 0001 0948 0357 1650]

At the beginning of 1989, the Taiwan authorities displayed their "attack attitude"; recently, they have been considering "the previously unmentionable question of dual recognition" and the concept of "one country, two equal governments." Even though these various ideas have been withdrawn from public discussion after strong opposition within Taiwan and elsewhere, they have not been discarded completely and they are still being promoted secretly. The main plan has three parts to it: The first part is to "establish relations" or "restore relations" with those countries that have diplomatic relations with China, to "boldly break through" using "dual recognition." On 19 July 1989, Taiwan and Grenada restored "diplomatic relations," setting a nasty precedent for "mutual recognition." In October, in a similar fashion they "restored relations" first with Liberia, then with Belize, thus increasing the number of countries that have "diplomatic relations" with Taiwan from 23 to 26. The second part is to expand contacts, regardless of pretext, by using cover of civic activities with other countries. At the beginning of March [1989], the highest political figure in Taiwan visited Singapore as "the president from Taiwan." Since April, a succession of some 10 or more "cabinet"-level ministers and officials, including diplomats, economists, Overseas Chinese Affairs officials and others, differentiated from each other as "individuals," "tourists," and so forth, have been trying by hook or by crook to get in through the back doors of countries that have diplomatic relations with China, and deepening and strengthening Taiwan's official contacts and overseas offices in these countries. The third part of the plan is to enter international organizations by any

means possible. The Taiwan authorities, after much maneuvering, managed in November to sidle their way into the "International Stock Exchange Association" and the "International Science Foundation" (temporary member) under the name "China (Taipei)." Recently, the Taiwan authorities have been busy with efforts to get into GATT, the World Bank, and other international political organizations.

Taiwan's "diplomacy" thus is active, and has an appearance of having achieved great victories; the secret is that they purchased these victories with money. Everyone knows that Taiwan spent more than \$100 million in "restoring relations" with Grenada; they spent more than \$200 million on Liberia, and a condition for "restoring relations" with Belize was \$50 million in "aid." The real goals of all this capital the Taiwan authorities are spending is to reenter the international community with the status of an "independent government of substance," to establish "one country, two relations" in diplomacy, to have "one country, two seats" in international organizations, to obtain equal international status with the Chinese government, and to bring into being the "two Chinas" or "one China, one Taiwan" scenario. However, the wealth created by the hard work of the people on the island did not come easily, and people in every walk of life have already begun condemning these things, criticizing the government as "spendthrift children." Even more important, the Chinese Government has reacted with a stern stand opposing "two Chinas" or "one China, one Taiwan," a stand that is already understood, respected, and supported by most countries and international organizations. The reality of the situation has already shown and continues to show that the actions of the Taiwan authorities have not only failed to rid them of their international isolation, they have had even less success in fundamentally altering the important status of the People's Republic of China in the international community.

A broad look at the year 1989 shows that the Taiwan political situation was stormy and tumultuous with scarcely a day of calm; the Taiwan authorities feel that they have been successful in their foreign policy, but the situation is unstable and tempestuous both within and without the island, and in fact their policies have not been very effective. Looking at 1990, the Taiwan "presidential" elections and "Executive Yuan" reforms are a thorny situation, social problems are multiplying, and their policies toward the mainland and toward other countries are in even more need of adjustment. In light of this situation, the new year will be a difficult time for the Taiwan authorities, and the whole political situation will continue to be uneasy.

Plastics Tycoon Wang Yung-ching Eyes Mainland

90ON0396A Hong Kong MING PAO in Chinese
9 Feb 90 p 9

[Article by Ching Heng-wei (6855 1854 3555): "Wang Yung-ching's (3769 3057 1987) Gamble of the Century"]

[Text] It can be said that the wealthy but coarse Wang Yung-ching [3769 3057 1987], chairman of the plastics syndicate of Taiwan, is to enterprise what Sun Tzu [1327 1311] is to the art of warfare. His recent initiative to research the mainland has startled both sides of the strait.

Entrepreneurs who relentlessly pursue profit as the ultimate goal deeply understand the role of politics in commercial strategy. In particular, during the past 40 years Taiwan's enterprises grew under the government's political power, shaping a structure of mutual support. Under strongman rule, business received special rights as long as it expressed loyalty and observed whatever taboos were prescribed by those in power. Wang Yung-ching at one time had intended to enter the field of mass broadcasting, but had been obliged to back off when it seemed almost within his grasp because of this "official-merchant" linkage. Because of this special economic-political science, few in Taiwan's business community could buck official pressure to build a business syndicate or combine. That is also to say that the powers that be have used a carrot-and-stick combination of tactics and strategy, and business has been careful to remember the range of the big stick.

Of course, it was no small carrot. Under the national strategy for economic development, business has not been sitting on its hands but, ignoring ecological concerns, has chased after profits as long as political taboos are respected. As a result of exercising their special rights, they made a natural victim of the island's beautiful resources.

Following the development of environmental consciousness into a national movement and the democratization of the political model, big business can no longer have its unrestricted way, but the political "vacuum" has expanded. Since the "commercial arena" is a "battlefield," cunning businessmen of Wang's ilk also know how to manipulate the new situation to prepare for the "second coming" of the Wang kingdom.

Whether or not Wang Yung-ching will really build factories on the mainland does not matter. What does is that the Kuomintang is having fits over it. Haven't some Ministry of Economics officials already been alleging that the popular environmental concerns are stifling economic development? So Wang Yung-ching has just tossed his own hot potato to the government pressuring it to resolve the dilemma of "Sixth Light" [the 6th Ministry of Light Industry] factory building so heavily opposed by the public. That is his ace up his sleeve.

We also believe that Wang may really move or build factories on the mainland under unprecedented Communist encouragement, for this is a "risk chess" that he is playing.

Can Wang Yung-ching, in his gamble of the century, get his wish in the Year of the Horse? Let's see how government and business play each other.

Businessman Discusses Developing Taiwan-Soviet Trade

90OH0215A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese
No 48, 4 Dec 89 p 36

[Interview with Lin Tsu-ching (2651 6327 3237), director general of the Taiwan Import-Export Council and a National Assembly deputy: "Taiwan-Soviet Trade Has Potential, But Obstacles Remain"]

[Text] Ban Jing Chen Zhi Zhu [0978 0064 5256 0037 0504], director of the Hong Kong branch of the Gong Tong [0364 0681] Agency of Japan, recently interviewed Lin Tsu-ching, director-general of the Taiwan Import-Export Council and a National Assembly deputy, to discuss Taiwan's trade relations with the Soviet Union and Eastern Europe.

Taiwan Eyeing Soviet and Eastern European Markets for Years

Ban Jing first asked when the Taiwan Import-Export Council decided to open up the Soviet and Eastern European markets.

Lin Tsu-ching replied that they visited Hungary, Czechoslovakia, and other Eastern European nations four years ago and were also in Warsaw three years earlier. After they returned in late 1986, they decided to develop trade in that direction. At the time Taiwan was still under martial law but they already felt the potential of those markets. On the one hand, they must find markets for Taiwan products. On the other hand, Taiwan also needed raw materials for its industries. They wanted to find out if the market in the Soviet Union under Gorbachev would expand. "When we first flew into Moscow from Bangkok, we found that it was better than we imagined." After a 34-year break in their relations, Taiwan and the Soviet Union had a lot to learn about each other and but for Gorbachev's glasnost, it would probably have been impossible for Taiwan to draw closer to the Soviet Union. With the Soviet Union emphasizing heavy, defense, and chemical industries and Taiwan focusing on light and consumer goods industries, the two countries can complement each other. The Soviet Union has no quarrel with Taiwan politically or economically. Lin Tsu-ching said that the idea of Taiwanese visiting the Soviet Union was a sensitive one. "But we believe that politics are politics, economics are economics." The position of the council is that the Soviet door should be opened. There are things which the government finds it hard to do but which a private organization, having fewer concerns, can do.

Taiwan-Soviet Trade Set To Grow

Taiwan-Soviet trade has begun to develop. Will it grow as time passes? Lin Tsu-ching said, "Taiwan-Soviet trade has increased 40-fold this year compared to last year, with a total value of over \$110 million. Taiwan imports more from

the Soviet Union than it exports to it, so it is running a deficit. Right now the major imports from the Soviet Union are minerals, machinery, and man-made fibers. There are problems in Taiwan-Soviet trade, of course. For instance, Soviet trade management is rather chaotic and it is short on foreign exchange. At present there are no direct air services, telephone links, or banking services between the two. And to top it all, both sides remain very cautious. The visit by Lin Tsu-ching and others to the Soviet Union last year, for instance, sent shock waves through Taiwan's political circles. There is still a powerful conservative faction in Taiwan.

Since then, however, Taiwan has been opening up gradually. The Soviet Union has no aversion to dealing with Taiwan. The Soviet ambassador to Thailand has had frequent contacts with Taiwan. When Armenia was hit by earthquake, Taiwan textile mills sent more than \$40,000 worth of relief supplies. Such contacts are now on the rise. The Soviet Union says that with little foreign exchange, it is shopping for high-quality but inexpensive goods, precisely what Taiwan has to offer. Lin Tsu-ching said that bilateral trade would continue to grow in the future.

Methods of Trade Between Taiwan and the Soviet Union

Taiwan-Soviet trade is not barter trade. Lin Tsu-ching said the Soviet Union pays with cash. For things it needs, the Soviet Union pays with letters of credit and cash, and for things it does not need badly, it barter. Foreign banks make loans to the Soviet Union and when Taiwan sells to it, it will be paid by foreign banks. The Soviet Union will then repay the banks later.

The Chinese mainland settles accounts with the Soviet Union in Swiss francs. Lin Tsu-ching said that in the future Taiwan would also settle accounts with the Soviet Union in Swiss francs.

Trade Now, Invest Later

At present Taiwan-Soviet trade still depends on a third party such as Hong Kong, Thailand, West Germany, Japan, Singapore, and Austria. In this respect, Japanese trade groups in Moscow have been very active as a go-between.

Lin Tsu-ching said they planned to set up a joint venture in a third country to specialize in Soviet trade. But a very cautious Moscow does not want direct Soviet participation and instead has proposed that Taiwan first set up a joint venture with Thailand, for instance, before opening a company with the Soviet Union.

Lin Tsu-ching said that because of insufficient understanding between the two sides and lingering political attitudes, he hopes that the two would do a little trade first and get to know each other better before going into joint ventures. He said that the Soviet Union these days balks at exporting large quantities of raw materials and prefers having foreigners invest in it. The Soviet Union is interested in joint ventures producing electric toys and lumber mills. Still, decades-old hostility cannot be removed overnight. As far as Taiwan is concerned, there are still many roadblocks

ahead. Right now Taiwan investments go primarily to Thailand, Singapore, Malaysia, and the mainland. "Investing in the Soviet Union is still a long way off." This process will take time.

The Trouble Is With the Taiwan Government

To develop Taiwan-Soviet trade, Lin Tsu-ching hopes that the Taiwan government or a private group will set up an office at the Soviet Trade Center in Moscow to provide consulting services. This idea has not been put forward to the Soviet Union but he thinks the main obstacle is not Moscow. It took 7 or 8 months of hard work on the part of Taiwan businessmen to come thus far, so he hopes the Taiwan government will open up a way for them. "But the government has made things difficult for us. They say they want a letter of invitation and guarantees for their safety in the Soviet Union. The government is putting obstacles in our way. Moreover it has sent people to go to the Soviet Union with us."

Tan-chiang University in Taiwan recently established a Soviet studies institute. Earlier Cheng-chi University had applied unsuccessfully to set up just such a unit.

There are schools in Taipei that teach Russian. Many people in Taiwan know the language but do not speak it well because they have few opportunities to use it. The best solution is to send people to the Soviet Union to learn it. Alternatively Taiwan can hire Russian instructors to come to Taiwan.

Ban Jing asked whether growing Taiwan-Soviet trade ties would lead to a "Soviet fever." Lin Tsu-ching said no. He said they were applying to bring a Soviet ballet company and a circus to Taiwan, noting, however, that he did not expect them to be as popular in Taiwan as elsewhere "because the government still controls things."

The Chinese Mainland Connection

Ban Jing mentioned reports of a 12-man Taiwan economic delegation visiting the Soviet Union via Beijing and of plans to build a plant in China which will export to the Soviet Union. Lin Tsu-ching said this was already happening. In Baoli, for instance, he ran into a Harbin trade delegation. Harbin imports merchandise from Hong Kong and Taiwan and then re-exports it to Siberia. What Harbin is doing is nothing new. The Soviet Union too wants Taiwan to sell to the mainland. It will then buy from the latter.

Good Trade Relations between Taiwan and Eastern Europe

Describing the trade ties with Eastern Europe, Lin Tsu-ching emphasized that Taiwan had a good relationship with that part of the world. Three years ago Hungary already proposed setting up an office in Taiwan, a matter still under discussion. The main obstacle comes from Taiwan. However, Taiwan is adopting an increasingly open attitude toward Eastern Europe. Everybody's attitudes are changing. When some Taiwan businessmen went to Eastern Europe 10 years ago, they were filled with apprehension at the things they had read in the press. Only after they got off the plane did they realize it was not so at all.

**Zhou Nan Begins Assignment as XINHUA
Bureau Chief**

90ON0395A Hong Kong MING PAO in Chinese
9 Feb 90 p 2

["Special article" by Chi Ma: "The Coming and Going of Xu and Zhou: Report of 'Unusual' Circumstances"]

[Text] Zhou Nan [0719 0589], who got his start in the diplomatic field and who loved to recite Tang dynasty poetry, has breezed south to become the sixth person to head the Hong Kong bureau of the XINHUA NEWS AGENCY, thus proclaiming the close of the "Xu Jiatun [6079 1367 1470] Era" and the start of the "Zhou Nan Era." One would think that the changing of the guard by the retirement of the over 70-year-old Xu Jiatun and the succession by someone in the prime of life such as Zhou Nan would be cause for celebration. But hearsay reports say that the transition process of "Xu's going and Zhou's coming" had some unusual circumstances, prompting one to look into the niceties of the matter.

According to some story tellers, the transfers were rather sudden and urgent. Not even Xu or Zhou had had time to think about it, let alone prepare for it. And it seemed that the high-level Chinese Communist hierarchy had not paid any attention to the face-saving sensitivities of either person.

Disregard for Saving Xu's Face

Actually there had been talk for several years of Xu's retiring, but the general belief was that it had been put off because the high-level Chinese Communist hierarchy could not decide upon a suitable replacement. Earlier reports had it that the decisionmakers were inclined to wait until this April, when the draft Basic Law would be largely finished. Then Xu could rest on his laurels and enjoy retirement at his place of origin. So, who could have predicted that, with less than two months to go, Xu's departure could not wait.

According to reports, late last December, Xu was told suddenly by the party's Central Committee to go to Beijing to attend a meeting, but there was nothing said in advance about his retirement. Yet, perhaps Xu had had a premonition as, on his own volition, he proposed to party Central Organization Department chief Song Ping his wish to retire. Afterward, when he met with Chairman Yang Shangkun, he asked Yang to express his desire to Deng Xiaoping. He even recommended to Yang and Song that Guangdong Governor Ye Xuanping

[0673 6693 1627] be his successor. But neither seemed to express an opinion concerning his request, nor did they actively try to persuade him to stay.

Yet, a few days later, the several deputy chiefs of the XINHUA Hong Kong bureau were suddenly summoned to Beijing and were personally met by Central Committee General Secretary Jiang Zemin. During the meeting, in front of Xu and the deputies, he announced Xu's retirement and Zhou's getting the job. According to the reports, the abrupt announcement stunned the gathering and surprised Xu who looked agitated and embarrassed.

It was further said that, aside from this sudden notice, the high-level Communist hierarchy seemed to make it difficult for Xu in all its arrangements. For example, when Xu returned to Hong Kong, but had not yet had time to arrange a top-level meeting at the bureau to disseminate the Central Committee's decision, the official XINHUA AGENCY had already let the news out announcing Zhou's transfer to Hong Kong to be chief.

Another example, it had been customary at the agency to hold a public ceremony to express its appreciation for the agency chief's retirement or transfer to the mainland. But this time there was no such ceremony, nor any other. It was reported that the employees of the agency could only say farewell at the dinner on 24 January celebrating the Chinese New Year.

No Preparation for Transition

Aside from this, the report went on to say that there was absolutely no preparation for a change in leadership. Plans for many things were disrupted, including the various tea celebrations to welcome the new year that were to be hosted by Xu all the way to the middle of next month. Because of this, Xu had asked the Central Committee to delay the change, but received no reply.

Thus, according to the above, we can see that Xu's sudden "retirement" seems to harbor some "internal abnormalities." In the eyes of Hong Kong, Xu had been here six years. XINHUA here has made many changes and innovations, and occupies an increasingly important place in the political life of Hong Kong. It could not have been done without hard work and charisma on the part of Xu. There is an old saying: "There might not have been any achievement, but there was hard work." Why did the Communist hierarchy "fry" Xu? It is really hard to understand.